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The New Investing Revolution

A revolution is happening in investing, and the irony is that we're going BACK to the way we used to invest.

Before the stock market and Wall Street took over our investments, people would invest in their own communities, real estate projects, and small businesses. Fortunately, with advancements in technology and changes to investing laws, **you can now do that again.**

Now with the passage of the JOBS act in 2012, there is a wide variety of new investments available. These new vehicles allow investors of any income and wealth to invest in vehicles that were only available to the ultra-wealthy before.

We've done detailed research on all of them, invested in them ourselves, and eliminated the ones we felt were too complex or too risky for most investors. We've distilled them down to the top 5 that we think represent your best options:

- Passive Real Estate Investing
- Private Money Lending
- Angel Investing
- Peer to Peer Lending
- Real Estate Crowdfunding
- (And we mention many other ways to make great, easy alternative investments as well.)

So why should an investor like you look at these investments?

Here are just a few of the reasons:

- **Higher returns** – industry experts and third party studies have shown that many of **these investments can return anywhere from 10-25% annually. From our experience, returns can be MUCH higher - usually in the 20%-60% annualized range.**
- **Lower risk** – *many of the investing options are backed by hard assets* such as real estate and represent lower risk than many investors perceive.

- **Control** - If a stock price plummets, there's nothing you can do about it. With many of these investment types, you have options. ***You have control.***
- **Fun and fulfillment** – these types of investments tend to be much more meaningful for investors. They report that they ultimately have more fun and feel better about investing in projects with which they have a connection.

NOTE: If you're satisfied getting middling returns from mutual funds, believe the government will take care of you in retirement, or are perfectly satisfied with the Wall Street status quo, THESE INVESTMENTS ARE NOT FOR YOU. These investing options are for sophisticated, savvy investors looking for higher returns, more control over their money and future, and a deeper connection with their investments. Proceed at your own risk.

All of these investments can be invested in small amounts, for sometimes as little as \$25. Invest at your own risk tolerance levels.

Investors can also use retirement accounts like 401k's and self-directed IRA's for any of these investments.

Kriss Bergethon, Chaz Shively and the Team at The Franklin Society

Backed With Real Assets, Low Risk, High Returns - Private Money Lending

Private money lending is fairly simple and straightforward. Typically, private money lending -- or "hard-money lending" when it's a company that makes professional, continual investments -- is where you as an investor lend money to a real estate investor or someone that has strong collateral (a car, appraised art, etc.)



Your money is protected by a hard-asset, typically some form of real estate. So, in the off-chance that the borrower can't pay back the money, you can take back the real estate collateral.

Then you can sell the collateral and get a portion, all of, or all of your money *plus some profit*.

If you lend "private money," you can expect to charge a loan origination fee which is typically 2%-5% of the loan amount. You usually get paid this at the time you make the loan. Then, on top of that, you charge between 10%-15% interest. Often the borrower returns the money, plus interest in 4-6 months.

Let's See How The Numbers Work

Let's say your borrower needs to buy a property for \$100,000. The property needs \$20,000 of repairs, and the borrower is going to sell the property for \$150,000. That is a \$30,000 spread for them, but after broker's fees and carrying costs (you!), they should make \$20,000. Knowing they should make some good money protects you as well.

You agree to lend the borrower 80% of the total costs so that they have 20% "of their own skin in the game." You agree to

charge them "3 points" (3 percent of the loan) plus 12% interest - fairly typical numbers. We'll keep the math simple for this example by excluding closing costs, brokers' fees, and other costs. So:

- They need \$120,000 to buy and complete the project.
- 80% of \$120,000 is \$96,000. You decide that you can "round up" and loan them \$100,000.
- They buy the property and pay you \$3000 at closing (your "points.")
- They invest \$20,000 to fix the property, which takes a month. The property is on the market for two months, and closes a month after that. So your money is lent out for 4 months.
- When the property is sold, you get paid back your \$100,000 investment, plus 12% interest, which for 4 months is \$3000.
- All in all, you made \$6000 (\$3000 in points, \$3000 in interest) on your \$100,000 investment - a 6% cash on

cash return. Since the investment was 4 months though **your real annual return was 18%.**

- Not bad for a fairly protected investment.

Real Stories

Dave French invested \$107,500 for a "fix-and-flipper's" condo project. He lent out \$91,000 for property acquisition and initial construction funds, and another \$16,500 about a month later.

When the flipper bought the property, Dave got a check for 2 points, or \$2150. When the property sold about 3.5 months after the loan was made, he brought in another \$3050 in interest.

All in all, he made \$5200 on a \$107,500 loan - in less than four months. That's a 15% annualized return.

A Deeper Look at Private Money Lending

Private Money Lending is one of most secure ways to lend money, as it's backed by a hard asset. Some other factors of this type of investment strategy are:

- It requires less due diligence of the borrower - because you have the asset there to protect you.
- In the case that the borrower defaults, you usually "win big." (In our example above, you would likely make another \$15,000 on your \$100,000 investment!)
- These are generally larger loan amounts, often \$50,000+.
- They generally make annualized returns of 20%+
- Paperwork is easier than you think. Once you "do your first deal," you can essentially reuse all of the paperwork for your next deals.

Private Money Lending Summary:

- Typical Returns: 20-25%

- Minimum Investment: \$10,000
- Typical Investment: \$25,000-\$100,000
- Hold Period: 3-12 months
- Accredited Only: No
- Complexity Level: Medium

Resources:

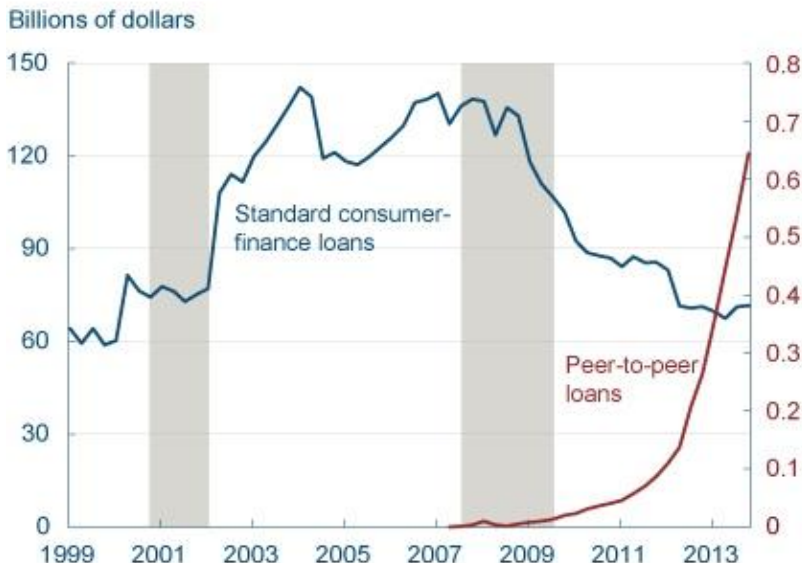
Of course The Franklin Society is a great resource for prospective Private Money Lenders, but here are a few more:

- <http://mountaincapital-llc.com/>
- <http://thefranklinsociety.com/20-returns-with-private-money-lending-talking-with-lee-carney-of-mountain-capital/>

Helping People Improve Their Financial Situation While Making High Returns - Peer to Peer Lending

Peer to peer lending involves lending money to individuals through a central lending platform. The two most popular platforms are LendingClub.com and Prosper.com. The loans are generally made to individuals who are paying down high interest debt like lines of credit and credit card debt.

Peer-to-Peer Loan Originations Are Rising and Standard Consumer-Finance Loans Are Declining



Notes: Standard Consumer Finance Loans is the total amount of loans outstanding. Peer-to-peer Loans is the total amount of loans originated. Shaded bars indicate recessions.

Sources: Equifax; Federal Reserve Bank of New York's Consumer Credit Panel; Lending Club.

Returns vary widely between 5% and 20% based on the borrowers credit ratings, income, and credit history. The higher the risk, the higher the return for the lender. The borrowers are rated on a scale of A through F generally.

The industry as a whole is exploding. **The Federal Reserve estimates that the industry has grown 84% PER QUARTER since 2007.** Lending Club alone loaned \$5 billion in the first half of 2014.

So How Does it Work for Investors?

Lenders (or investors) create an account at one or both sites listed above. It is recommended to start with a small investment of \$10,000 or less and add as your results get better over time. Lenders can use filters such as credit score and monthly income to narrow down loan options.

As soon as the loan amount is fulfilled by lenders, the borrower will get the money and start making payments the following month. Those payments, based on how much you lent, will be distributed to you within a week.

Veteran Lenders Do It Like This...

As with any investment, it is best to align your investment with your risk tolerance. Of course, since this is unsecured debt for individuals the delinquency rate can be quite high, especially for the higher risk loans. So it is suggested to make a lot of small loans that align with your risk tolerance.

There are several watchdog sites that analyze the data of the major lending sites to cull the best ways to get the highest returns. Some of the best include NickelSteamroller.com, LendingMemo.com, and InterestRadar.com.

Our research shows that lenders can get consistently above 11% and often as high as 14% returns when using these types of filters:

- Invest in lower grade loans in the D, E, and sometimes F ranges
- Look for individuals with higher incomes and a minimum of \$6000 per month.
- Look for individuals with very few or one credit inquiry, this means that they have not been shopping for credit.
- Invest the minimum, often \$25, in a lot of loans. You can even set up auto-lending features on each site so that you automatically loan small amounts in loans that fit your criteria.

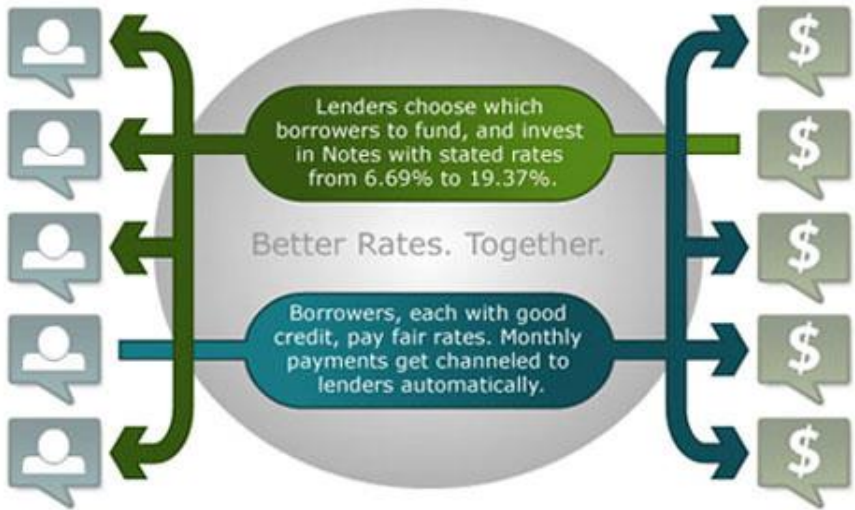


Photo courtesy <http://berlincalling.files.wordpress.com/>

Market – Beating Profits Make It Worth a Look

Peer to peer lending can be very lucrative and satisfying. With the advanced filtering techniques you can consistent returns above 10%. You also get the satisfaction of knowing that your money is going to help real people. These people are generally trying to turn their fortunes around and borrowing money at reasonable rates to pay off high interest debt is often the best

way to do that. They are not always successful at it of course, but the success rate is very high.

The delinquency/default rate on even the high-risk loans is only 24%. This factors into your total returns of course, but again if you spread your risk over many loans you can get consistent, marketing-beating returns.

The complexity of this kind of investment is pretty low. Investors may find the sheer volume of possible loans overwhelming, but using the filters mentioned above can help. But overall this is pretty simple; you're lending money to individuals around the country, and they pay you back regularly.

Peer to Peer Lending Summary

- Typical Returns: 7-12%
- Minimum Investment: \$25
- Typical Investment: \$5000

- Hold Period: 3-12 months+
- Accredited Only: No
- Complexity Level: Low

Resources:

Of course The Franklin Society is a great resource for prospective Peer to Peer Lenders, but here are a few more:

- <http://www.lendacademy.com/>
- <https://www.lendingclub.com/>
- <https://www.prosper.com/>
- <http://www.interestradar.com/>
- <http://www.lendstats.com/>
- <http://www.lendingmemo.com/>
- <http://www.nickelsteamroller.com/>

Shark Tank For The Little Guy - Angel Investing and Private Equity



Angel investing has a mystique about it that may or may not be reality. Many people envision 'Shark Tank' like

environments and Silicon Valley billionaires betting on the next Facebook. While that is certainly a part of it, the reality is that the vast majority of angel investing is done on a smaller and more localized scale.

Does the Average Angel Investor Actually Make Money?

A [Kaufman Foundation study](#) found that angel investors, especially when working in groups, often achieve reliable gains of 25% through angel investing. The study found that the best results occurred when the investments were vetted in a group setting, investors pooled their money, and individuals invested small sums in a large number of investments.

How You Can Be An Angel Investor

So how do you become part of a group? It used to be that investors in angel groups had to be accredited (very high income) but this has changed recently. Legislation passed in 2012 makes it legal for all investors to invest in these types of vehicles. Some angel clubs still require accreditation, but this is changing quickly too.

The best way to get started is to find a local angel group to join. Well-established clubs are usually members of the [Angel Capital Association](#). These clubs generally invest on a local level and offer opportunities to invest in everything from

products, to local real estate projects, to your corner store that is looking to grow. This is a great way to get involved with local businesses and entrepreneurs while still acting as a passive investor.

If you can't find anything locally or would like to be exposed to more national opportunities, there are a lot of online resources. Websites like AngelInvestorsNetwork.us and Gust.com offer ways for investors to get started in the national angel scene. But the options can be so overwhelming that you may never really be able to pull the trigger.

Caution: Angel Investing is Not For Everyone

Investing like this is not for the faint of heart. It has been well documented that most startups that seek angel investments fail.

From our experience and research, out of ten investments, **1 will return 15-20 your money over a 5 year period, 3 will**

return your money without growth, and 6 will fail outright.

So the big hits, the companies that really do well, have to make up for the other failures.

Real Stories

Ed M. made an angel investment of \$25,000 in a private software company. Two years later, a private equity company bought out the angel investors at a nearly 7X multiple. Our investor netted a \$142,000 profit.

And the window for getting your money back can anywhere from 3-6 years. It's not like you can call the company you invested in and ask for your money back. These investments are illiquid.

But, there is no denying the excitement of investing in something that you not only believe in, but that could (quite possibly) go really big.

Angel and Private Equity Investing Summary

- Typical Returns: 20-25%
- Minimum Investment: \$10,000
- Typical Investment: \$25,000 - \$250,000
- Hold Period: 3-10 years
- Accredited Only: Sometimes
- Complexity Level: High

Resources:

Of course The Franklin Society is a great resource for prospective Angel Investors, but here are a few more:

- <https://angel.co/>
- <https://circleup.com>
- <https://www.slated.com>
- <https://fundersclub.com>
- <http://bolstr.com/>
- <http://www.earlyshares.com/>
- <https://microventures.com>
- <http://www.angelcapitalassociation.org/>

Teaming with the Sharks – Crowdfunded Angel and Private Equity investing

Angel investing, also called Equity Crowdfunding, is one of newest and most exciting ways for investors to invest in fast-growing companies. Legislation has recently made this easier for smaller investors to participate in funding rounds.

Using sites like gust.com and angel.co small investors can follow along with expert angels and invest in the same deals they invest in. Angel investors are wise to spread out their investments over many deals with small dollar amounts in each.

A Way to Let the Experts Decide Where to Invest

If you want to invest in larger scale companies that have a larger upside and are more likely to get acquired or have an IPO, then Angel.co might be for you. This is an online portal

where investors can follow and invest with the real experts in the field.

Seasoned angel investors and multimillionaires create ‘syndicates’ where they encourage investors to follow along with their personal investments. The experts will tell you how much they are investing and when, and you can decide on your own if you’d like to invest, often for as little as \$1000.

A recent study revealed the most successful angel investors on Angellist. The successful angels are very well connected to the start-up scene nationwide and have a fantastic track record. Some of the names include Tim Ferriss, Jason Calacanis, and even actor Ashton Kutcher.

While traditional angel and private equity investing can yield enormous returns – and also larger risk, a way to minimize this is to invest in crowdfunded investments. Instead of putting, say \$25,000 into one placement in a traditional model, you could

spread that \$25,000 into five deals of \$5000 each, or 10 deals of \$2500 each. This diversification would reduce your risk and likely your returns as well.

Crowdfunded Equity Investing Summary

- Typical Returns: 20-25%
- Minimum Investment: \$1000
- Typical Investment: \$5000 in each deal
- Hold Period: 3-5 years
- Accredited Only: Sometimes
- Complexity Level: High

Resources:

Of course The Franklin Society is a great resource for prospective Angel Investors, but here are a few more:

- <http://gust.com/>
- <https://angel.co/>
- <https://circleup.com>

- <https://www.slated.com>
- <https://fundersclub.com>
- <http://bolstr.com/>
- <http://www.earlyshares.com/>
- <https://microventures.com>
- <http://www.angelcapitalassociation.org/>

Investing in Real Estate *from Your Computer* - Real Estate Crowdfunding



One of the fastest growing investment vehicles over the last 5 years has been crowdfunding. There is a lot of confusion about what exactly crowdfunding is

however. There are many sites like Kickstarter and Indiegogo that help people crowdfund products, video games, and movies. The rewards for giving to these projects are generally early access to the products themselves. In other words, people who give to the campaign get first access to the products.

Equity crowdfunding is now legal after passage of the JOBS Act. Equity crowdfunding means you can actually own a piece of the company. While the specific rules are still being formulated as we speak, investors have access to some very interesting crowdfunding projects now. Crowdfunded real estate development is one of the least risky options while still offering great returns.

Real estate crowdfunding platforms have gone from \$1.5 billion in 2011 to a projected \$10 billion in 2014. This is clearly a fast growing investment vehicle.

Great Returns Backed By Real Estate

Real estate developers and investors submit their projects to one of the main real estate crowdfunding sites like RealtyMogul.com, RealtyShares.com, or Fundrise.com. After a lengthy due diligence process done by the sites themselves, their deals are then listed for investment from the public. Each

site listed above states that they only list 5-10% of the projects that they look at.

Some sites are only looking for accredited investors, but none of them as of this writing require verification of accredited status. You simply sign a document saying you're accredited.

You can then choose from two types of investment: debt or equity. Each has its own risks and drawbacks. Debt funding is actually loaning money to the project. The debt will be paid back before shareholders are. And the debt is backed by the real estate itself with a deed of trust held by the investing portal (ie RealtyMogul.com). Because there is little risk in the real estate falling to zero in value, this could be likened to a corporate bond.

Returns with crowdfunded debt is generally in the 6-9% range and is considered to be relatively safe.

Equity real estate crowdfunding returns are closer to the 15-20% range depending on the project; the more speculative the project, the higher the returns.

As with many investments like this, spreading risk is key and experts in this field suggest investing in many projects with your preferred return instead of a few.

Real Stories

“I was able to invest in an apartment building in Stone Mountain, Georgia, and got a great return too. This was especially fulfilling for me because I grew up poor in an apartment in Stone Mountain and never imagined myself being able to own a building. Now I can, and that is very special to me.”

- Susan Lassiter-Lyons, on her investment through RealtyMogul.com

Why Now is the Time to Try Crowdfunded Real Estate

Crowdfunding in real estate gives investors a huge selection of pre-vetted real estate projects to choose from around the country. There are apartment buildings, mini-malls, housing tracts, office buildings, and trailer parks; every kind of real estate project imaginable.

This really boils down to investing in real estate in a purely passive way, without the headache of owning real estate and dealing with construction projects. Investors should always add an additional layer of due diligence of course, which can increase the level of complexity.

But for those looking for diversification into what is becoming a very hot real estate market nationwide, Crowdfunded real estate can offer higher returns and the satisfaction that your money is going into a brand new building.

Real Estate Crowdfunding Summary

- Typical Returns: 7-20%
- Minimum Investment: \$1000

- Typical Investment: \$5000
- Hold Period: 1-5 years
- Accredited Only: Sometimes
- Complexity Level: Medium

Resources

Of course The Franklin Society is a great resource for Crowdfunding Real Estate, but here are a few more:

- <https://www.realtymogul.com/>
- <https://www.realtyshares.com/how-it-works>
- <https://fundrise.com/>

No Hassles, Amazing Returns: Passive Real Estate Investing

In talking with fellow investors and millionaires (and multi-millionaires), there is usually a common component to their wealth - real estate.

There are so many magical elements of real estate:

- At least for residential real estate, "everyone needs a home to live in," so there will always be a need for it - regardless of the state of the economy. It fits at the bottom of Maslow's hierarchy of needs pyramid.
- "There is only so much land." (making an exception for Holland) Desirable locations - whether it's "prime beachfront property" near Los Angeles, high-yielding farm ground in Iowa, or a nice neighborhood in Raleigh, there is limited supply of options for people.
- There is generally an opportunity to add measurable value to the asset.

- Typically, assessing values can be done very accurately.

Doesn't Real Estate Involve Leaky Toilets and Evicting Weirdos?

No, what we are talking about is PASSIVE real estate investments: Not buying real estate, not owning rentals (though we advocate that too, but that's another day's



topic), but finding real estate investments where you invest funds, following our blueprint to ensure your cash is protected, and generating returns that hard to match anywhere else.

What Kind of Profits Are We Talking About?

Over the years, we have seen and made passive investors annualized returns usually in the 30%-60% range. One investor invested roughly \$300,000 over the course of a year,

and he made over \$70,000. That's a 23% cash-on-cash return. But, here's what's really exciting: his money was invested for an average of 5 months...making his annualized returns 57%!

One of our investors recently did a "bum deal" and he made a measly 15% annualized return. Where else can your "bad" deals make 15% returns? That same investor is currently funding a real estate investment of \$215,000, and is on track to make \$50,000 on that investment over the course of 4-5 months. That's nearly a 70% annualized return.

And you don't have to have hundreds of thousands of dollars to get started. We've seen investors use as little as \$20,000 to get started.

We continually pass on real estate investments that "only make a 20% return."

Sounds Great, How Do I Get Started?

There are a few steps:

- Finding opportunities: Here you are **not** going out and actually looking for real estate to invest in. You are putting in place a system, so that the opportunities come to you either through phone calls, meetings, or emails.
- Double-checking that they are good: Once you have opportunities coming in, how do you choose which ones are the best fits? How do you make sure that the opportunity is as good as it sounds?
- Putting protection mechanisms in place: Ok, now you like a particular deal. How do you ensure you have maximized all of the protections you can have in place?
- Investing: How do you actually make the investment?

Passive Real Estate Summary

- Typical Returns: 20-25%
- Minimum Investment: \$50,000
- Typical Investment: \$150,000
- Hold Period: 6 months

- Accredited Only: No
- Complexity Level: High

Resources:

Of course The Franklin Society is a great resource for Passive Real Estate investing, but here are a few more:

- www.craigslist.com (Look in your local area for flippers who need capital)
- Local real estate investing clubs, find yours here:
<http://www.biggerpockets.com/rei/real-estate-clubs/>

Private Notes: Buying Debt for Nice Profits

The originators of loans sometimes need cash and liquidity, or they specialize in originating promissory notes and then sell them to others - who want cash flow - for a mark-up.

Sometimes, they will to sell a promissory note, loan, or mortgage at a discounted rate, especially if the loan is “non-performing.”

If you want a seasoned loan that is performing, you can often make great cash flow from them. If you are willing to take on more risk (with a non-performing note or a performing note with a higher-risk borrower) you can have more upside profit potential. Buying a seasoned, performing note is an easy way to make consistent, low-risk cash flow. If you can buy a discounted note, your returns are even higher.

Private Notes Summary

- Typical Returns: 10-12%

- Minimum Investment: \$1000
- Typical Investment: \$10,000
- Hold Period: 3-5 years
- Accredited Only: No
- Complexity Level: Low

Resources

Of course The Franklin Society is a great resource for Structured Notes, but here are a few more:

- <http://www.loanmls.com/>
- <http://www.promissorynoteappraisers.com/>

Turn-Key Real Estate: Let Someone Else Deal With The Headaches

Turn-key real estate is owning rental units without actually purchasing, maintaining, and renting them. An investment company handles the entire process from start to finish. They handle tenants, maintenance, and any issues that arise. The key here is to find a reputable investment company, and that requires heavy due diligence.

The investor gets the benefit of rising real estate prices, as they actually hold the deed to the property, plus the cash flow, without all the headaches of actually managing real estate.

Turn-Key Real Estate Summary

- Typical Returns: 10-15%
- Minimum Investment: \$30,000
- Typical Investment: \$50,000+
- Hold Period: 3-5 years

- Accredited Only: No
- Complexity Level: Medium

Resources

Stay tuned as The Franklin Society will talk more about this option in the future. Generally we encourage people to find a local turn-key investment company, but when that's not possible you can do it remotely.

Lifestyle Businesses: Maximum Profit with Minimum Effort

Buy an existing company that has consistent, great cash-flow; buy a distressed business, and grow it to enjoy even more upside; buy a cash-flowing, established website; or start or invest in opening a franchise. This is, obviously, much more of an active investment strategy, but there are businesses that can be purchased that nearly "run themselves."

Investors can finally live the dream of owning their own business, being their own boss, working their own hours, and being involved with their passion or hobby. There is often millions of dollars of upside potential.

Lifestyle Business Summary

- Typical Returns: 25-50%
- Minimum Investment: \$5000
- Typical Investment: \$10,000-\$1M in each deal
- Hold Period: 3-5 years

- Accredited Only: No
- Complexity Level: High

Resources

Of course The Franklin Society is a great resource for Lifestyle businesses, but here are a few more:

- www.flippa.com
- www.latonas.com
- www.bizbuysell.com
- www.franchoice.com

Tax Liens: Government-Backed Profits

When a property owner doesn't pay their taxes, the local municipality will place a tax lien (or tax lien certificate or tax deed) on the property. These are usually auctioned off to the lowest bidder - who will pay the lowest interest rate. It is generally agreed that 99% of tax liens eventually get paid off, so they are relatively secure - as long as the property is worth keeping to the property owner. Tax lien investors are paid off when the property sells or when the property owner has the funds available.

Note: There are likely local tax-lien funds that you can invest in as well. Here you just put in the capital, and will likely make the same returns you would as an individual because the group can buy in bulk.

Once you do the initial leg-work to buy tax liens, you can sit back and wait for them to be paid off. If you buy them with a

self-directed IRA, the benefits are even greater (tax deferred or tax-free returns!)

Tax Liens Summary

- Typical Returns: 4-7%
- Minimum Investment: \$250
- Typical Investment: \$5000 in each deal
- Hold Period: 2.5-7 years
- Accredited Only: No
- Complexity Level: Medium

Resources

Of course The Franklin Society is a great resource for tax lien investing, but here are a few more:

- <http://www.thentla.com/>
- <http://www.taxlienlady.com/>
- <http://www.investopedia.com/articles/investing/061313/investing-property-tax-liens.asp>

Collectibles: Making Money From Things You Love

Collectibles are any physical asset that increases in value over time because it is rare. Coins, rare cars, paintings and other fine art, and stamps are a few of the main types of collectibles, but truly it can be anything that has very limited supply, and moderate to high demand. Investors buy these items through myriad ways: online, at garage and estate sales, auctions, antique stores, etc., and they simply store them at home, in a display, in a safety deposit box, or in a safe.

Having fun buying and owning something you truly enjoy (baseball cards, books, comic books, action figures, guns, art, etc.) Hard assets can also be a great inflation hedge.

Collectibles Summary

- Typical Returns: Varies widely
- Minimum Investment: \$10
- Typical Investment: \$1000

- Hold Period: 10-30 years
- Accredited Only: No
- Complexity Level: Low

Resources

Of course The Franklin Society is a great resource for collectibles, but here are a few more:

- <http://www.bidstart.com/>
- <http://www.rubylane.com/>
- <http://www.ebay.com/> (to find, buy, and sell collectibles)

The Tip of the Iceberg - So Many More Options

While we only selected our Top 5 ways to invest "beyond Wall Street," there are so many easy, tried-and-true ways to invest. Here are a list of more options:

- **Off-shoring Your Money:** We can help find safe, private places to invest your money overseas.
- **Equity Crowdfunding Businesses:** Invest with others in tech start-ups (the next Facebook or Twitter?), biomedical companies, a restaurant down the street, or nearly any other business.
- **Bitcoins:** This underground currency could change the world financial system. The upside on Bitcoin investing is astounding. It's a developing investing option.
- **Investing Overseas:** One of the biggest diversification strategies out there...place some of your funds outside of "home" to generate

- **Precious Metals:** Buying actual bars of gold and silver!
If the economy does crash, holding original currencies (metals) may save your bacon. It's also a great investment vehicle.
- **Car Flipping:** While not passive, for those who love cars this is fun and very profitable.
- **Real Estate Wholesaling:** Like car flipping, this isn't passive, but for those with little or no cash, it's a great way to make quick, relatively easy money.
- **Farm Land investing:** Many investors, even those who live in the city - have farm ground that a farmer-partner raises crops on, and everyone shares in the abundance. With grain prices so high the last few years, strong annual (or bi-annual) returns are generated - and you end up with a lot of land...something to pass on to your kids or grandkids.
- **Private Oil and Gas partnerships:** Own part or all of your own oil well and see income for years.

Insider Interview Series

Interview With Susan Lassiter Lyons on Real Estate Crowdfunding, Angel Investing and Private Money Loans

Susan Lassiter-Lyons is the founder of TheInvestorInsights.com, twice voted the #1 real estate investing blog. An investor since 1994, Susan has closed more than 600 transactions and raised \$26.2 million in private capital. Susan is a passionate teacher, growth strategist and private money coach.

Kriss: This is Kriss with the Franklin Society and I want to welcome the brilliant and lovely Susan Lassiter Lyon. Susan, how are you today?

Susan: I am awesome. Especially after being called brilliant and beautiful. Wow.

Kriss: So, just a quick background on us. I met Susan probably, I don't know, probably three to four years ago. She has been a bit of a mentor for me both as in the internet marketing space and the content production space and just entrepreneurial space. You've been a tremendous

influence on me, and I'm very lucky to call you a friend so we've known each other for quite a while here - and have a great working relationship. And, over the years I've learned more and more about your investing techniques, and I'm fascinated by what you do with the sort of off-Wall Street stuff you do. And, to get started just tell us about your, about these off-Wall-Street investing techniques that you do.

Susan: Sure. So, I think that it all started back when - I've been a real estate investor since 1994, and traditionally, when you invest in real estate it's, you either pay cash for the properties or you go to a bank and you get a loan in order to buy those properties. And coming from a corporate background I had a pretty good-sized 401K. And in a 401K they always say, look, your options are unlimited with regard to your investing and so—

Usually limited to just a few mutual funds or something. Nothing too fun but the super traditional stuff. And so, I started exploring ways that I might be able to leverage my retirement savings to invest in real estate. Then I came across my kind of non-traditional thing, a self-directed IRA where you could roll over your IRA or your 401K to a self-directed program so that you could, so that I could invest in whatever I wanted to invest in. And so—

I think it's, when I read the thing it's kind of funny. It's like you can invest in just about anything you want except for like collector rugs. I was like, well, thank goodness I'm not investing in rugs. And if I was I would be sunk so I figured it would give me a lot of latitude.

And so I started investing with real estate with that and then I started doing some private lending. Right? Loaning money to other people. And then started investing in some small businesses so kind of diversified and then it just kind of mushroomed from there. So—

Today I'm looking and I know that we're going to talk about this but—

A lot of crowd-funding forces in, both in real estate and outside of real estate and another kind of online worker dealers and online sort of aggregators of venture capital deals, too.

Kriss: Great. Okay so tell us, you are currently investing, is it Realty Mogul that you're involved in?

Susan: Yeah, so Realty Mogul is, that is a crowd-funding platform that specializes in real estate offering. So basically what they'll do is they'll vet hundreds and

hundreds of different real estate deals that are brought to them as you can imagine like all day long.

And they'll choose specific ones that meet their requirements and they'll make them available through their platform. And in order to invest there you have to be an accredited investor and there are other like crowd funding platforms where you're not required to be an accredited investor.

Susan: But the FCC has lightened up some of the rules with regards to that here lately.

Kriss: Yes, that's changing daily almost.

Susan: Yeah, exactly. And so basically it was kind of like an online shopping cart of opportunity.

Because their shopping for what it is that you want to invest in, which is great because I've been in this business for 20 years and it's nice to have somebody else set the deals for you and just be able to invest your cash and earn money on a passive basis.

That's very attractive.

Kriss: That is very attractive. Now, you mentioned before that you've done private money lending.

Susan: Yes.

Kriss: Has Reality Mogul sort of replaced this and that it's much less work to do it this way or do you still kind of do that private lending?

Susan: I still do a little bit of that private lending with my own money. I've kind of moved out of loaning it for real estate though and I'm starting to do more small business loans.

Susan: And to again kind of continue them on that diversification path.

So I wouldn't say that Reality Mogul has replaced that. I would say that it's in addition to, and-

Kriss: Okay.

Susan: It, again, a super nice way to make it really easy so that - obviously, I still do my due diligence and Realty Mogul makes it easy because there is huge transparency with regard to the documentation—

And the operators and all of, you can inspect anything you want to inspect and review anything you want to review but it's nice so again just to have somebody preliminarily set the deal—

Susan: Do the ground work in order to make these opportunities available. And then I just say, I pick and choose. Like, okay, do I want a debt deal or do I want an equity deal? Do I want a long term deal? Do I want a short term deal? Do I want, am I going to be happy with a 6% return on my investment or am I looking for more like 16 to 20% return on my cash investment, and--

Susan: There are opportunities in all of those ranges.

Kriss: Yes so let's dive into that.

You know, what do you look for? It sounds like there's a wide variety and I've actually opened up my membership to Realty Mogul and just sort of shopped around, and there's a huge variety. Like you said there's debt, there's equity. What kind of deals do you do on there?

Susan: I usually do debt deals. And, you know I just kind of like the stability of it a little bit more. I think you get a little bit of a lower return but in terms of equity it seems like, you could get a higher return but you're subject to

somebody making money on a deal, and somebody not making money on a deal. So—

Susan: I'd like to know that I get paid whether or not the operators get paid. You know what I mean?

Kriss: Yeah and do they secure, like oftentimes when you do a debt deal on real estate you are securing it with a deed of trust or some - you're putting your name on the real estate. Does Reality Mogul do that?

Susan: The way that Reality Mogul does it is that Realty Mogul will take a position in the investment and then you end with a - I'm not going to say this is how they do every deal - but this is how they do like the deals, the majority of the deals that I've invested with them. They'll take a note, right - if it's a debt investment, they'll take a note and then you're basically investing in the Realty Mogul offering that is secured by a position by the deed and secured by note.

Kriss: Okay, okay. So in a lot of ways this is very, very secure investing. It is backed by a piece of ground. Somewhere.

Susan: Exactly, exactly. You know and I think that that's the thing that, heck, that's the thing that appeals to most people who are looking to invest in real estate because

unlike the stock market or some other kind of startup venture, it's very rare that the value of a piece of property would go to, plummet all the way to zero.

Yeah. And even if it did plummet all the way to zero usually there's insurance money that would be paid out because that would have been some sort of catastrophic something like a fire or—

Kriss: Sure. Right, do you look for specific kinds because I've seen, you know, there's like apartment buildings. There's shopping malls, there's literally every type of real estate development. Do you look for a specific type of deal?

Susan: You know I love apartment buildings.

Kriss: Ah okay.

Susan: And I, yeah, that's kind of my thing. When I first started investing in real estate I was investing just in single family homes. Then I kind of worked my way up the investment ladder to invest in apartment buildings and, so that's what I'm familiar with. That's just kind of a natural segue - I'm very adept at analyzing those and understanding those types of investments. And so that's what I kind of gravitate to when I go to Realty Mogul.

But I've got to be honest there was one that they had on there for the Hard Rock Hotel right, they were raising money for the Hard Road Hotel in Palm Springs.

They were putting together a rehab fund, because they're getting ready to do some major renovations. And I came very close to investing in that one, and then ultimately decided to invest in another apartment buildings. But it was for the perks, right? So—

So it said invest and then you can get like a VIP card to all the Hard Rock Cafes in the penthouse. You know, benefits of ownership and all that kind of stuff. And, so, I was momentarily swayed by that.

So extra perks, but in the end I was like I don't know, I'm just going to stick with what I know and go with multi-family. But, there are, like you say, so much opportunity there. There's people putting together self-storage deals and apartment buildings and the residential rehab fund and hotels. And all sorts of cool stuff so it's just kind of, it's endless.

Kriss: Yeah, there's literally everything there which really makes it fun.

Susan: Yeah, totally.

Kriss: Okay, so, within there, with all of these platforms there's some search functionality. You can sort of refine your searches. Do you use any of the filters? Are there any kind of tips or tricks to the actual website itself to use to kind of narrow down the deals because it can be overwhelming when you first log in? There's, there's dozens and dozens of deals.

Susan: Yes, there are. You know obviously they display all the deals and so the first thing you want to do is sort, to display the ones that are still open. Because they'll display the ones that are closed and fully funded.

Just because if they want to demonstrate a track record and if you logged on there and you only saw like five you'd be kind of suspicious - so they're only going to show you the ones they funded and have closed. So that's the, obviously the first order of business is just narrowing it down to just the ones that are still available for investment. And then usually from that for me personally, again, because I like to kind of focus on the debt investment, that'll be my next filter. The ones that are straight debt as opposed to equity positions. And, then, I just look at those and evaluate those individually as to the asset class. You know, the multi-family, self-

storage, whatever it is. And then I kind of dig into the register to learn more and then dig into the offering.

Kriss: Okay. And, you mentioned that the Realty Mogul vets these deals themselves, but then you have an extra layer of due diligence. Describe that for us.

Susan: Yeah, so, it's not like huge but they're going to divulge information about the - what they refer to as the operators which are the actual, the people that are going to be responsible for the day to day operation of the investment. So I'll, the first thing I do is take a look at the people, and well, first to see if I know any of them because sometimes I do.

And if I don't then I usually will start some online research on the people and, for me, the first place I go is to the FCC just to make sure that they haven't done anything funky. You know I should actually, I can give you a tip here, too. Let me go to my computer so that I make sure that I tell you the right information.

Kriss: That would be awesome.

Susan: The FCC, and, Kriss, I know you know about Google alerts, right?

Kriss: Yes.

Susan: Okay. So if you wanted to pay attention to a specific person, you can set up a Google alert for that name. And also if you go to the Securities and Exchange Commission, website you can get on their mailing list, on their email list. And it's just fcc.gov. And you'll start to get emails from them that will - they'll keep you apprised of like the actions that they take, cease and desist letters, people that they're investigating, people that they've prosecuted. People that are on kind of now what they refer to as like the bad actor list. Somebody who's made a mistake in a previous offering. And so, I'll usually kind of do some research in the previous releases at fcc.gov. Search for the name and the name of the company just to make sure that they haven't been investigated previously or involved in a prior or current action.

Kriss: That's great advice. Love that.

Susan: So, people, yeah. So that's a little secret tip. And then also you can find out a lot on LinkedIn as well. It was funny, I read this thing. It was a newspaper article and they were talking about like this, kind of like this - a cartel. Like, almost like a mafia type thing, and it was a group that they were investigating. And the FBI was able

to put these together, like this whole hierarchy and org chart of this group just from researching them on LinkedIn, right? And looking at like their association. And the stuff that they talked about and like their projects and work experience. And I was like, oh man, that's crazy, right?

There's an awful like of information available about people doing these types of offerings, just by using the FCC website and LinkedIn.

Kriss: Yeah and you could actually turn it on its head and say if there isn't a lot of information, if they're not on LinkedIn that might be a red flag, huh?

Susan: Absolutely. Yeah, yeah, yeah. If they're not on the FCC website obviously I'm happy about that. That's not a red flag. But on LinkedIn, if you don't have a presence of LinkedIn and you're a professional business person these days, that's a huge red flag. So yeah you should definitely be on LinkedIn and typically those guys are. And then kind of Googling around. You know you can come up with all sorts of information about people, arrest records and all sorts of things. So, the internet is your friend with regard to due diligence.

And so once I look at the people, which is what I lead with always, first and foremost, because you know let's face it. Any time you're investing in something really ultimately you're investing in the people, right?

I mean I could say, yes, I'm investing in this 300 unit apartment building, but it's not the apartment building that's going to make the day to day decisions about how to run itself. It's the people.

Behind it that I'm investing in. So beyond that then I'll check out the apartment building, kind of check out the area. There's multi-family research that you can do, Marcus & Millichap, specifically for like commercial asset classes. Like if you're considering investing in apartment buildings or in like office space or something like that that Marcus & Millichap website, they're commercial brokers, they've got like really great market research broken down by not only by state but metropolitan area. So it's, and this just happened. Like I was looking at a place outside of Atlanta, and it was a several hundred unit apartment complex. And so, once I took a look at the people and did my due diligence on them then I went to the Marcus & Millichap website and took a look at the most recent research report from multi-family on Atlanta. And familiarized myself a little bit more with the market to understand like what's the tax rate? What are

- the things that I look at specifically are employment and net migration. Because for rentals you want to make sure that employment is rising as opposed to dropping because we want people--

To stay there and not move away looking for a job and we want them obviously to have a job so they can pay their rent.

And then the net migration, we want to make sure that there's more people moving into that area than leaving that area. And then if you really wanted to get crazy you could check out like the building permits to see - do we think that market absorption is going to be sufficient but now I'm getting really technical in the multi-family but, so--

You can, the point is that you can go down the wormhole as shallow or deep as you want to.

Susan: But I think that the most important thing to remember is that, especially with the way that Realty Mogul structures it in that they are like acting as the broker dealer in the transaction. And they're raising money to invest in that deal. They have a fiduciary responsibility to their investors of which we would be their investor. And so I think I heard a figure pretty recently that like less

than five percent of the deals that they actually looked at ever get presented to investors on the site.

It's pretty strict.

Kriss: Wow. Okay. And just to backtrack real quick, the research site that you talked about, Marcus Millichap it sounds like people's names, M-a-r-c-u-s M-i-l-l-i-c-h-a-p and I'll provide a link for everybody to that but that is a great resource. And so you're basically looking for a growing area for—

Susan: Yeah.

Kriss: And area where people are moving to, right?

Susan: Yeah. And so that's kind of where that is concerned and so obviously you'd want to, whatever asset class you were considering investing in, like it you were going to do self-storage it would be much the same process or--

Office, you'd look at the office specific research. Hotels, you know the same thing.

Kriss: Got it. This is great. Have you had any bad deals? Have you had sort of bad investments through Realty Mogul?

Susan: No I haven't. In fact, my only "bad experience" with them, was that one time I anticipated that my money was going to be invested for like 16 to 18 months and it paid off in six.

And I was bummed. I was like, oh, man. You know I was really hoping this was going to be earning for a lot longer than that.

And it was funny because they sent the distribution and they were like, sorry, you know, here's your money.

Kriss: Here's your money back.

Susan: Yeah, you know, with your interest but yeah. That's about the only bad experience I've had with those guys.

Kriss: Wow, Okay. Well that's great. So what kind of returns are you seeing with your investments through Realty Mogul?

Susan: I, well, on that one - obviously cut in half because it wasn't even an annualized interest, which was another reason why I was bummed.

But I target between 12 and 16%, if I'm going for equity which is pretty rare. If I go for debt I'm usually looking

for a minimum of 7%. And so, what I'm finding for debt on that side is like anywhere from like 7 to 9% on some of the "shorter term deals". And by shorter term usually less than like 36 months and that is why I look for.

I'd like to have my money kind of what I call semi-liquid, meaning I don't want to have to commit it to like five years or ten years but I'm fine committing it for like one to three years.

Kriss: Okay, so that's the time frame you're looking at. And the 7 to 9%, that's annualized.

Susan: Exactly. Yeah.

Kriss: Okay. Awesome. So that's great. So, but if you want to obviously assume more risk you can get higher returns and you can see in the mid-teens it sounds like?

Susan: Right. Yeah, yeah, yeah. Absolutely.

Kriss: Great. Is this something that - I hesitate to talk about the average investor, because I don't know that that really exists. But I think there's a lot of investors who are savvy and like to do the due diligence process and like to investigate or look into things like this. Do you think say somebody with a couple hundred thousand dollars or

less in an IRA, and has invested in mutual funds for 20 years and is probably approaching retirement in the next ten to fifteen years - is this something that that investor could do?

Susan: If I put myself in that situation, then I'm saying yes. I can't speak on behalf of somebody else. Because I don't give out legal advice. I'm not life funds. I can't give advice. Everything I say may be completely crazy. Maybe that explains a lot. But you know if the question is put to me, right? And I'm 50, so I'm approaching that - like let's say in the next ten or fifteen years I still have this nest egg and retirement fund and I'm looking at, okay, am I going to keep it in these mutual funds or even in bonds? When you approach that age it's usually the safe thing to do as we're told.

Or would I feel confident in say putting it into some of these deals on Crowd funding site. Like the Realty Mogul that we're talking about, or another one that I like now called Fundrise. I, for me personally, would feel completely comfortable putting a good percentage of my retirement savings into these types of deals.

Kriss: Outstanding. And that's what we really are all about with Franklin Society. We're not saying in any way sell all your stocks.

Susan: Yeah.

Kriss: What we really do is, we talk so much in the financial world about diversification.

Susan: Right, exactly. And, to me diversification within the stock market is meaningless, because no matter what you invest in it's going to track the broader index. Even if you do all this work to find this one little gem of a stock if the broader index falls it's going to fall too, in all likelihood. So, you talk about diversification - you need to diversify your strategy.

You need to invest in something completely different, and this is a fantastic way to do that. We don't suggest anybody go whole hog into Realty Mogul. We say carve out a little section of your retirement and invest in something safe. And you've just described something that is really very safe - and safe in the stock market world in a bond, what, might get you 3%, maybe 5%.

With Realty Mogul, wow, you can get 7 to 9% in an asset-backed investment.

Kriss: Yeah, it's really remarkable.

Susan: Yeah, you know, I think so, too. And I along those lines of diversification and stock market and so forth it's like I don't want to bash the stock market. I have money in the stock market. I have a lot of money in real estate.

I have a lot of money in the stock market. I have a lot of money invested just in small businesses and positions that I hold. And I do private lending. And I had a recent experience where a friend of mine came to me and she was starting a business. And she needed a line of credit, because she didn't have that business history. She wasn't able to get one at a bank. And so I said, "I'll make you a little business line of credit loan." So it was small, like \$20,000. And, so I pulled it, I kind of looked across my investments and I decided to pull out of this one stock market, his mutual fund that I was invested in. And the mutual fund is a tech fund. For those that like the funds it's like, my return is like approaching like 26%.

So I like that fund. I kind of talk disparagingly about mutual funds but I'm never going to talk disparagingly about that one and specifically when I take my money out. But I was taking the money out of that fund to loan to her, which seemed on the surface kind of crazy. Because she was like, "What's the interest rate?" And I'm like, well the interest rate I'm going to

charge you is 12%. And then she wanted to negotiate, right?

And then I'm like, "No, no, no. Let me show you exactly where this money came from."

"And what it was earning - right prior to me loaning it to you. And the only reason why I'm willing to do that - I'm taking a little bit of a loss because you're a friend of mine and I really want to see your business succeed."

And so I felt comfortable doing that, even though I was making a little bit of a lesser return because, hey, I know that every month on the 8th I'm gonna get that \$200 payment in my bank account from her. And I know that nothing is going to go wrong with that investment, because - or else I get to have a position in her business and track her down--Take her first born and all sorts of good things.

Kriss: Yeah. It's so rare, it's really why we started the Franklin Society. But it's so rare that you get to shake the hand of the person who you're giving your money to.

Susan: Yeah. And I really like that. That's part of what attracted me to private lending in the first place.

So I still have a - there's a warm place in my heart for that still.

Kriss: That's really cool. I want to come back to that but you mentioned very briefly another real estate website that you're investing in. Can you talk about that?

Susan: Yeah, sure. This one is called fundrise.com. And it's one that is - it's very similar to Realty Mogul. The only difference is that they have a little bit lower of a barrier to entry. So I know at Realty Mogul when they first started I think that the minimum investment on a lot of their investments were like \$5,000 and I think that their, you know as they continue to have success and have more investors come on board they're raising that, which they can do.

Kriss: Ah, yes.

Susan: So it's going to \$10 000, sometimes you'll see the minimum investment is it could be like \$20 000 or \$25 000. With Fundrise there is still some investments there where you can get involved for as little as like \$100.

Susan: Yeah. So, it's pretty cool. And I, actually I was introduced to one of the co-founders of the company, and had a long conversation with him a couple of months ago. And

just really liked the philosophy and just decided, hey, you know, let's try that one, too. So I've had good luck with that one as well.

Kriss: That's outstanding.

Susan: Yes.

Kriss: Susan, let's talk about - first off Angel Investing, this is something I've been involved with a little bit too but I want hear a little about your experiences.

Susan: Yeah, so the thing that really initially attracted me to Angel List was because they offer syndicates. And I don't know if everybody on your, that's listening will know the name Tim Ferris who wrote a book that was pretty famous and a little controversial called The Four Hour Work Week. And, so, I've been a fan of his for a long time and I mean come on, who wouldn't be a fan of a four hour work week, right? So of course I read the book to find out the secret.

For a while - I like him. And so I know that he invests. He has a track record of investing in angel as an angel investor in tech startups. And so like, I like to pay attention to that kind of stuff. Because I - and the system in that as well. So the first involvement that I got with Angel work is when Tim Ferris sent an email and said that he was

putting together a syndicate, an Angel alert . Which means that he's basically saying "Hey, I want to have a group of investors who - when I say we're investing in this, you guys all say, 'Awesome, we're investing in that.'" So, he's like, "Every time I do this I'm gonna put up like \$25 000 of my own money, and then I'm gonna, I'm gonna have like maybe a hundred or a couple of hundred backers in my syndicate, who are also gonna pledge as much as they pledge. And then when we make a move, you have the opportunity to put so much pledge or not.

So I thought well, kind of continuing along the lines of - especially so they are trying to make my personal investment as passive as possible.

And I mentioned how I'd like to utilize like a like a realty mobile to do the vetting on the front end of these investments for me. In real estate, well I kind of put them online now like a Tim Ferris or another syndicator on Angel List to do that pre-vetting for me. So this really interesting thing that happened with the internet and transparency, it used to be that nobody really disclosed like - especially Angel investors, you didn't know who is investing in what.

Kriss: Yeah, it was very secretive, yeah.

Susan: Very secretive but now it's like, "Hey Tim Ferris is investing in this." And it will show you all the other people that are investing in this specific deal and it's like, "Wow." Those rather astute and profitable venture capitalists and or Angel Investors are investing in that, then it's a deal and it might be worth my attention as well. So that's what attracted me specifically to Angel List and the way that they do it, is that the pre-vetting of the syndicates. Yeah and it's really cool because with these startups there's such a high failure rate and there's so many of them, I mean there's a start up every day who's seeking money out there. It's really hard to know what will succeed and what will fail, and Tim - and there's another one that I follow on there, Jason Capkanice, who started off as a journalist and is pretty much just an Angel Investor now. They are actually meeting with these people, they are in San Francisco, they're in Silicon Valley, they're sitting on the boards of these companies. They see the inside, they know the people that are starting them. So, like you said, they can do the really heavy lifting or the vetting for us and you can sort of follow along and you're not required to do any of these investments, you get to say yes or no. But they get, you get their expertise. It's a really powerful.

Yeah, I think so too and I, there are hundreds of different syndicators or syndicates on there that you can follow. And just, aside from the two that we've mentioned,

there's another very high profile and very successful Angel Investor that I think a lot of people might be surprised to learn about, and that is Ashton Kutcher.

Kriss: That's right, that's right, the goofy guy from the seventies show is actually a very successful tech investor.

Susan: Very astute tech investor with a great track record of success.

Kriss: That's right. Well tell us about some of your investments through Angel List.

Susan: So, food related stuff, that's kind of has my thing right now, my attention. So I'm interested in - there's actually something that I originally found out about from Angel List, but then he invested separately from the site. And it's a company called Health Spec and it's a really interesting technology where - and of course you and I have talked about this before and I have coeliac disease, which is where gluten wreaks havoc in my body.

Kriss: Yes. And I have a gluten intolerance so we kind of bonded on that.

Susan: Right, yeah. So when we - it's fun to grow up to eat together because there's no question about what's gonna

happen or where we gonna go. We always and it and it makes it easy. So, 14 years ago when I was diagnosed with coeliac disease it was - the whole gluten free thing, it just didn't exist. Now it's because of the fad it's a little bit easier to navigate. But still having coeliac disease - even the smallest amount of gluten in even an additive in a food can make me sick, and it's like I have to be very very careful about what I eat as you know. So health spec is this technology, it's like a tiny math spectrometer where you can kind of wave the wand over your food and it will give you an instant reading as to the ingredients. And it will search through like all the common most allergies, and it'll also give you some preliminary information about the calorie and the macro breakdown, like in terms of like protein, fats and carbs. So I was attracted to it because I was like, "Man, if could just wave a wand over my food and have it tell me definitively - yes this is gluten free - or no there's still a slight taste of gluten in this," it would have saved me a lot of aggravation and literal pain over the years.

Kriss: Well, some people are on death's door if they eat certain things, the peanut allergies and all that stuff...

Susan: Yes exactly - yeah, yeah. So that was something I initially found out about through Angel List, but then decided to just go directly to the source then, because I was so

excited about that technology, I wanted to be involved in that.

Kriss: Wow. We could debate the reasons all day long but I don't think there's any doubt that food allergies are one of the fastest growing things in the country right now and to be able to invest in a positive way in that is really, really cool.

Susan: Yeah, that's what I thought too. Sometimes it, we can say as investors that we're gonna be as objective as possible and I try to be kind of agnostic sometimes in terms of like the people or the project or the area. It's like if I have a bad experience in St Louis, I'm not gonna say like ugh, "I'm never gonna invest anywhere in St Louis."

It's not smart, right? So sometimes something hits us that just, really touches us on such a personal level that I think that, it just makes a lot of sense. And for me that certainly, it was a selfish investment, I wanted this thing get launched. Even if they only sell one and it's to me, and then the company closes I feel like, this is worth my investment.

Yeah, and then kind of with that then as well, I mentioned before like I'm guilty, we'll circle back to that in a second.

We, I was evaluating a multi-family apartment complex outside of Atlanta where I grew up in Stone Mountain, Georgia. And I was - we were poor when I was growing up, we lived in apartments. And I lived in an apartment building in Stone Mountain Georgia growing up. And as a kid, it was like "Wow, when I grow up I'm going to be a millionaire, you know the thing ... And then I was looking in Realty Mobile for an investment, and I noticed that one of the multi-family projects was the three hundred people apartment complex in Stone Mountain, Georgia. And I was, it was like I didn't even feel like I wanted to do my due diligence on it all, I just wanted to invest my money. Because for me it, there was an emotional attachment, it felt like I'd come full circle to being like that little kid living in an apartment in Stone Mountain, Georgia to now being the adult who is a millionaire, who is now - and I own an apartment building in Stone Mountain, Georgia. So as most people would say that, "Hey this business - sometimes you can't ignore those emotional tugs and those types of decisions too."

Kriss: Right, right - exactly. And that's really, you really just hit on the essence of the Franklin Society, in that somewhere along the way in the last fifty years we've become disconnected from our money. We've been taught that you send your money off to these so called experts, and they're gonna invest it. It's much too complicated for you,

don't ask what we're doing with it - and we're gonna hopefully send you back more someday. And what we're really trying to do is to re-establish that connection so that you know what you're investing in. And that you do a due diligence with it, but at the end of the day there's some gut feel here, and there's a connection to your investment. You're investing in something you believe in and you know where that money's going and that's really what it's about for us.

Susan: Cool.

Kriss: And you've just hit on it exactly, so that's really, really cool.

Susan: Yeah, yeah. So, it's hard to say, you can, especially like looking at like an Angel List, right? You can like - here it says, "Over twelve million dollars invested online this month." And it says, "You can invest in a hundred startups at once." Right, so, I mean really, you're talking about like a filtering process just before, where did it even start?

So I mentioned huge, I think this is huge. I think that - my brain as tiny as it may be can understand food, and understand everybody needs to eat and usually everybody eats at least three times a day. And if you pay attention to the news, at least here in the United States, we're eating more and more and more.

So it's like woo, like does that seem like a pretty safe bet, right? So I like to use you know that's kind of like my little niche, like it's something I can understand -kind of like that apartment building in Stone Mountain, 'cause I grew up in that.

Kriss: When we talked about Angel Investing, that word is associated with tech. People think tech, people think about a bunch of nerds in a basement hammering away on a computer, when in fact you can invest in a lot of different things. This is a gadget, but it's a food related gadget. Tech the word can be so intimidating, but at the end of the day you're investing in things that you understand. It doesn't have to be complicated and overwhelming. You've kinda hacked the system to make it work for you so that you're comfortable with your investments I think that's really important.

Susan: Yeah, yeah, and I think that's a great point and I'm glad that we're talking about that because there's people who are gonna at this site and they're gonna be like "Oh my gosh." Like looking into a viral growth, video content platform, healthcare technology, it's like "What?" I'm pretty savvy and I don't understand a lot of the stuff on here but--

I can understand food and what people are trying to do with food. And I understand like pets - and anything that we can do to try to figure out how to keep better track of our pets, or keep our pets healthy or something like that. Though there, these are things I can understand, and so I kind of narrow it down that way and start looking for opportunities in something that appeals to me. And then once I figure okay it passes the - at least I can pronounce all the words test. So I think that okay now I understand what they're trying to do test.

Then I start kind of, my due diligence and yeah. And so, what's interesting is that if you look at some of these syndicates on like these sites! a lot of them tend to be food related, there's a lot now that's happening with regards to sustainable food sourcing, the kind of a non GMO movement. Like a lot of food deliveries services are trying to figure that out.

So as we get busier and busier a society - so, a lot of interesting stuff going on and just about any niche that you have a desire to learn about.

Kriss: Right. Well Angel Investing is very different from most other investing in that you can't just call the food company and say "Hey I'd like money back, I really need it." It's a very

different investing window. So what kind of time frame do you really look at for - to hopefully get your money back?

Susan: That's tough - here's the thing with Angel Investing that's different from real estate, especially debt investing in real estate. Like, when I'm loaning somebody money for real estate - as the bank - and so they have the mortgage to make payment to me every month. And so I get that money every month, and it's backed by real estate. So say if you're - passive income, comes in every month. Go with the Angel (45:41?) of it, and I'm investing in a company. Well, the startup and that's really what you're investing in, to start a company. They - you have to look at their exit strategy, so--

Typically, their exit strategy is gonna be either to go public, right? In an IPO, and then you'll like, everybody will be rich and skip off to the Bahamas on our private jet.

Or, they're looking to be acquired by a company. Like, you hear the story about the time I got these little apps that are developed by like 19 year old kids that Facebook ends up buying for like 300 million dollars or something.

So yeah so - going public through an IPO or acquisition by a larger company - it's pretty rare that you would invest in one of these "startups" and the owners would say, "Look,

we have no interest in going public, we have no interest in being acquired. We're just gonna grow the company, it's going to be a value investment and a growth investment," and blah, blah, blah. So it's a very different investment in that regard. So, the way that I approach Angel Investing is - obviously I do my due diligence and I, like we talked all about that. But, the money that I put in there, I don't expect to see, I don't expect to see a big return - I just don't. It's like, if it happens, that's gonna be awesome. I don't think that anything amazing is gonna happen in the short time. I also expect that as this company grows, my position is - more than likely gonna be deluded to the point that even if there is an IPO or they go public that maybe I could - four or five times my money and that's still great.

But I - these types of investments, I'm not looking at as like - I'm not counting on this money for my retirement or to make the mortgage payment each month.

Kriss: Right, right. It's almost a sandbox - money - just play money that you can afford to lose.

Susan: Yeah, right, and it's kind of the point that I made too about the prospect. It's like, I said it as a joke, but I kind of meant it, right? It's like even if my investment in that company was (47:57?) and it folds tomorrow, I'm fine with that. And

it's kind of the approach that I take when I'm investing in these companies. There's - hey, if I thought it had a chance to make it and if there - if other people believed in this as well, and if I thought they were doing something great, that I believe in the cause or the mission. Then even if I don't make a ton of money, or even if I lose my money, I'm - it is what it is. It's just the nature of investment.

Kriss: Right. I - in our interviews and in our research, we've talked to Angel Investors and many of them take the approach that - doing smaller investments in a lot of companies has a higher chance of success than sort of targeting maybe a handful of companies. What is your approach? Are you doing a lot of investments, or are you very selective?

Susan: With regards to just specifically Angel Investing and startups? I absolutely agree with what they say, yeah. If I have \$100 000 to invest, I'm gonna invest in a whole bunch of like \$5000 increments, as opposed to like two in \$50 000 increments. Because you're hedging your bets.

Kriss: Right, right. Very interesting. Is -through Angel List, is there a minimum investment? Is it, is there something accessible for smaller investors? Is it - is there a \$5000 or a \$10 000 or is it higher generally?

Susan: I'm gonna say, I don't know that off the top of my head. I - for some reason I want to say like \$5000, but I know that I've seen (49:45?) Like if you were to join someone's syndicate, like they - Tim Ferris is like, "Hey, be a part of my syndicate." They'll ask you what you're gonna pledge, and I'm quite sure that I've seen people pledge less than \$5000 in syndicates.

Kriss: Okay.

Susan: I think that it's pretty accessible.

Kriss: Yeah, that's great, that's great. Let me just review my questions here real quick on my computer - went black on me. This investment, you can't really - like you say, you can't really look at it and say, "Oh my \$5000 is now worth \$10 000 or \$2000." It's just something that - it takes a long time to see any return on it, and you just sort of kind of forget about it in some ways. Is that accurate?

Susan: That's true. Yeah, it's accurate. It's very different than in - like with a Realty Mogul - they have a really great looking dashboard. And you can see each month, right? The value of your investment and how it grows, and you can see the payments coming in and so forth. With a - an investment in a startup, there's just not that level of accountability.

I think that there probably - there's a - on Angel List, you can invest at a certain level and you can just invest. So, and on Angel list, there's the ability to just invest through the platform like couple of thousand dollars. But then if you wanted to invest more there is an opportunity to push a button, and it says "connect with the company." And if you're saying, "Look I want to invest more than just a couple of thousand dollars, and I want to have a maybe a bigger interest in this company," then they'll actually connect you with the ownership of the company.

In which case you would be able probably to examine those financials and see exactly the value - at least on maybe a quarterly year or annual basis, or however, they make that information available to their investors.

Kriss: Interesting.

Susan: I am sure that there is that level at some point that, but honestly when you are investing a couple of thousand bucks it's kind of like you described it . It's kind of that, just set it and forget it.

Kriss: Right, right. Fascinating stuff. If we could talk briefly about your - how you lend money to businesses. You said that you had loaned, was it \$20 000 to a local business woman?

Susan: Yes.

Kriss: If you could just talk about that briefly, how did you meet her and how did it come to you that you loaned her the money?

Susan: Yeah, so that one specifically, she's a friend of mine and she is attorney. And she was an associate in a family law practice for several years. Actually the way I met her was at a puppy school, so we had puppies in same like behavior class. And our dogs were like so in love with each other. My dog Lucy and her dog Miko, and they like seriously, they were disruptive in class, they would get in trouble because the teacher was like, "You need to separate them." And we're like, "Well, that's kind of hard, because they're like obviously in love with each other. And they could not be separated, which is really cute and so, since our dogs where such great friends it was like okay it's awkward if we're not friends. So then we just became friends and bonded over the puppy thing, and started to go to the dog parks and then pet friendly patio restaurants and stuff like that. And so, that was how I met her.

And, so she was an associate at a family law practice and she was thinking about going out on her own and opening up her own practice, you know obviously there is lot of fear around that when you step entrepreneur leap. And so

as an entrepreneur I am always trying to encourage everybody around me to become an entrepreneur. I think there's safety in numbers of something. And so finally she decided to do it and she opened her own practice and she had a handful clients that came with her. Her paralegal came with her, and she figured that she had enough to make her operational expenses and pay herself, but you know there's a relative paranoia that comes in with not having a little bit of cash cushion or at least a line of credit available to you in case you need it. And that's where I came in. And she asked me for the name of a couple of banks so that she could visit. And she was turned down, because she did not have that business - her business haven't been in excess for a couple of years, and she did not have that business credit and so I just simply, "How much are you looking for? What will make you comfortable?" and she was like, "I'd be comfortable even if I had just like 20 000 bucks. And I'm like, I can do that for you.

Kriss: Nice.

Susan: So we structured a - I wrote a 36 month note, so it is a three year note. Where there is 20 000 bucks at 12% simple interest, I didn't advertise it or anything, it was just (55:10?) If I were like doing this for someone who I didn't know as well I know her, then I have the opportunity - I

probably would have gone the extra step and actually put a lien against her home. But with her, I was like I am not going to put a lien against her home -this is technically unsecured line of credit. But she is a good friend of mine, and I know where to find her if something doesn't goes awry. And yeah, so I though comfortable doing that. And so know for me it is just another cash flow opportunity like I described.

Kriss: Right. So has she drawn on the line of credit?

Susan: She has not drawn on the line of credit, but as far as I am concerned, the line is fully drawn because you know she has taken possession at it, so technically she has drawn 100% of it because it is in her bank account. But that 20 grand is still sitting in her bank account untouched.

Kriss: Gotcha, but she's obviously paying your interest payments.

Susan: Oh yeah, yeah yeah. No, that would not be in my best interest to have \$20 000 dollars sitting in a bank account - not spending any money - with her name on it and she didn't have to pay me until she drew down from it. Would not be a loan that I would make.

Kriss: Gotcha, yeah it makes sense.

Susan: Yeah, and so - that's something else that I am kind of moving towards. Because I'm really attracted to - you made the comment before about being able to look somebody in the eye and shake their hand, when you invest them in their company. And that's something that I'm really attracted to it right now. There's so much opportunity just in our local community. I do some work with a local organization called the Rocky Mountain Micro Finance Institute. And it's people that are putting together small businesses and they're getting these micro loans from the Micro Finance Institute. And I started off just by donating, making loans - these micro loans through the institute. And then I kind of came on board as like a mentor, working with some of the small business owners. And I used the opportunity all over the place - where people need money in order to make their businesses function. And because I get to have that experience and be up close and personal with them, and intimately involved in their financials and their business. It's easy for me to say, "Look yes I paid you this micro loan and that got you to point A. Now we need you to get further down the road, and so let me take an equity position in your business and give you a lot more money. And then I can still be your mentor, but I am part owner in this company as well, and so I have little bit of a say. I'm really attracted that model right now.

Kriss: That's really cool, you are kind of a doing your own personal shark tank in a way.

Susan: Yeah, I guess you can say that.

Kriss: So what kind of interest are these loans at?

Susan: You know for me I'm really not even consider doing anything for less than 10%. And I tell you what I really focus on, especially in my small business investments, is cash on cash return of 20%.

Kriss: Okay, wow - and that is what you are seeing, then that's great, that's amazing.

Susan: Yeah, well you know you have a small business and a lot of these small businesses can be cash cows. It's like, you look at the food trucks for example, you know what I mean? It's like wholly smokes, I had no idea food trucks where lucrative as they are.

Kriss: Yeah, and you said it - hit on my head, its actual cash these businesses are generating, it's actual cash. I invested in a dispensary, and it's only cash because they cannot use credit cards.

Susan: Exactly.

Kriss: So they've had some cash control issues, but they were making lots and lots of cash and it was very cool business, and it is cool to be able to walk into your investment. And like we said, shake the hands of the owners and frequent the business and promote the business locally. "Hey guys go to these guys, I am actually an investor in this business," it's really cool.

Susan: Yeah absolutely, you know there is a girl specifically that - so she does skin stuff - facials, and she wanted to open up her own shop to do skin care stuff and she, actually developed her own line of skin care products. And I just thought, "You're fantastic and your products are absolutely fantastic. I have really sensitive skin and I'm a middle aged woman, and so I'm always looking for the thing that's gonna take away my wrinkles and make my skin look great. And it's like, if I can be like a walking advertisement for you and use the products, then that goes right along with the investment and the apartment building investment, it's like you're gonna, I'm gonna invest in this business, so yeah.

Kriss: That's awesome. What kind of amounts are you investing in these businesses or are they asking for? What are the dollar amounts generally?

Susan: With these small businesses, really, I would say anywhere from on the low side of like \$10 000 to the highest, like 50 grand. So I'm chucking about like huge amounts of money - yeah. And when we're talking small, we're talking not the actual definition - the government definition of small business, which is what, like 500 employees or something? It's like Not even close, right? We're talking like maybe it's the owner operator and one or two employees.

Kriss: Right, yeah, wow. That is really cool. I'm definitely going to look into that myself, because I'm really interested in helping small businesses grow. And you and I both have a small business background and have been able to grow businesses, and it would be awesome to help people to do that and make money. I mean, it doesn't really get much better than that.

Susan: I know, exactly. And for me, it all started from - I've been investing in Real Estate for a long time and doing my own thing, running my own company and I thought, if I'm gonna - it's great to make some money and I've been so lucky and grateful to have the success that I've had. But, at a certain point, it kind of leaves you unfulfilled, right?

And so, I was really looking for something that was fulfilling to me and that was what really kind of made look a little bit closer at what's happening in my own community with the

startups here and the people that are doing cool things here that I might be able to be a part of. So it's pretty - there comes a point, and this is something that I tell people who approach me to invest in companies all the time. And something that when you're teaching people to pitch people for investments, sometimes they just don't get. Because they think it's all about the return, right?

Kriss: Right.

Susan: So it's like higher the return then of course the more interested they're gonna be. And I'm like, "Oh my God, you couldn't be more wrong." Right? Because two things are happening here. Number one, the higher the return you offer, the more likely they are to think you're a scammer, right?

There's no way, they're gonna be too suspicious. And secondarily, it's like you start to pitch somebody who is - has had a level of success and they don't necessarily need the money, right? I'm looking for something that is gonna be more fulfilling to me on like an emotional level now.

So if there's like some other type of buy in that you come at me with, that that's just a, "Hey, invest in this and you can make 20% return on your money." It's like - I kind of roll my eyes and go, "Dude I can get 20% return on money

anywhere. You've got to come up with something else that's gonna be, it's gonna touch me on an emotional level." You know what I mean?

Kriss: That's right. Yeah, yeah, and to have that fulfillment piece that you talked about. To actually do some good with your money, instead of investing in an oil pipeline or something -or a mutual fund where you just don't even really know where the money is. Now, you can actually see and feel the results and actually impact your community. Invest in Main Street instead of Wall Street.

Susan: Right, and that's - it'd actually be great news right for people that - you're talking to through Franklin. And the people who are listening to this right now. Because it's like - it's not like I'm gonna say, "Oh, if you're going to invest in a tech startup, then you must only invest in software coding projects." And everybody would be like, "Oh, okay, we're all going to invest in software coding projects." I think that would be the bad news. The good news is that look, there are so many of these small investments to choose from that you get to choose something that's meaningful to you. And to me, that is the best news in all of this.

Kriss: It's so cool, and I really think it's a revolution happening right now, and we're - we're in the midst of it. It's such an amazing time that we're living in that we have all this

opportunity. And The Franklin Society is here to help decode it and explain it, and make it simple and easy for people. And you have done a fantastic job of that today Susan, and I can't thank you enough.

Susan: Thanks.

Kriss: For taking your time out. Do you have a website or anything you would like to plug for people to go, get more information on you?

Susan: Sure. It's susanlassiterlyons.com. They can go and read about what I'm up, love to have them.

Kriss: And I will put a link to that for everybody on the site, and we will check back in with you over time and see how your investments are going and how your business is going. And it's been a pleasure, thank you so much. Susan, any parting comments?

Susan: No, I just wish everybody the best, and I absolutely love what you're doing with Franklin Society. Kriss, I think - I wish you all the luck in the world, and I'm so happy that - for these people who are exploring these types of alternative investments, that you're there to help them make some decisions and help them decode it. So, really, really a fan of

what you're doing and will be happy to help out any way I can. Thanks for having me on this call, it was fun.

Kriss: Awesome, awesome. Thank you so much Susan, you rock.

Interview With Ed McCarthy on Passive Real Estate Investing and Why He Hates Wall Street

Ed, who wishes to remain anonymous, is the Senior Vice President of Sales at a Fortune 20 company and has been the CEO of multiple companies. He values self-sufficiency and hard work. He is frustrated with Wall Street, and loves investing in alternative assets. He and his wife and two children live in Colorado.

Chaz: Hello everybody, this is Chaz with the Franklin Society. I'm here with a long-time friend, Ed. Ed has been an investor for a number of years and I've known him for about four years now. I've always been impressed by his diligence, depth of thought, ability to execute, and his ability to balance out the great family life, and lots of times some fun too. Welcome Ed.

Ed: Thanks, Chaz. Appreciate it.

Chaz: Well, I guess we'll just get this party started. Ed, tell us a little bit about your background and what you're up to these days.

Ed: Yes. Sure. I've been in the high-tech industry for about 25 years, specifically IT. And I have held many different positions. I started off my career as a leader at a financial

institution on the east coast. And that morphed into several other positions where I transitioned into more of technology sales with other large institutions. And I've been a CEO at three different companies, I've been the Senior Vice President of Sales at two other companies. And I have a diverse background in my primary career which is high-tech sales and consulting.

Chaz: Great. Well, I know, as we talked about a number of times, you've done, especially the last number of years, a decent amount of investing. But before we get into that, I'd love to hear your thoughts on a bigger picture, on a grander scale, about where you think America is headed as a country, specifically financially.

Ed: Yeah. And that's why I've actually morphed much of my effort from just outside of my primary career being in high-tech sales into alternative investment mechanisms, primarily real estate which we'll talk about in a little bit. And a big part of that has to do with my concerns about where America's heading and the world in general. In short, I'm deeply concerned about the state of America. And I'm very concerned about the lack of the entrepreneurial spirit that has made America so great. I see it being diminished more and more everyday with the wrong leadership in Washington, DC. I'm not happy with pretty much anything that comes out of DC, or our

political leaders. I think they're nearsighted on what needs to be done to continue to make America great.

And ultimately, I'm very concerned about this falsely inflated economy. That I feel confident will eventually pop yet again like it did in 2008 with the housing crisis. But it will pop again because the Federal Government is falsely inflating the economy. Propping it up with a fiat currency with fake dollars and ultimately that can't continue. It's not sustainable. So, diversity I think is key to protect you and your loved ones.

Chaz: I agree. And I think so many of our readers and listeners completely agree with that. And I think that really covers...I was also going to ask you, what your thoughts are about investing in the stock market and with Wall Street. Did that previous question kind of address that, or do you have any other thoughts on investing in the stock market and Wall Street?

Ed: Yeah, I do. Well, let me step back. I mean, I like most, have been 20 of the last 25 years investing in the stock market in the traditional way and listening to the marketers about, returns, and S&P's, and what the DOW is going to do. And if you look at the mean returns of those, mean average of returns of the last 20 years, it's flat or perhaps even negative across the board. So, I just don't believe in the hype associated with Wall Street.

And the biggest issue is, I just have no control, absolutely no control. I can do my research. And I can, get the best advice as possible. But they don't know either. They're just making a slightly more educated guess on what's going to happen or not going to happen. So, I have effectively pulled all my money out of the stock market. I just have a small retirement savings account. **But for the most part, I'm out of the stock market. And I've decided to take control. I decided approximately four years ago, three and a half to four years ago to repurpose those funds and take control. And the way I'm doing that is primarily through real estate investing. And it's served me incredibly well.**

Chaz: Well, we'll get into your passive real estate investing in a bit. You know, some of these easier methods. But, some people cringe at the thought of rentals and some people love them. But it sounds like you've bought a rental or two over the past couple years. Is that right?

Ed: I have. Yeah. I've acquired...right now I'm at 30 different rental properties, mostly single family homes. And I have a few multi-families. And I like it. I like it a lot. I mean, it's work. It's not a "hit the easy button" which, the stock market is... and hope when you show back up again when you're 65 years old or time for retirement that there's actually some money there.

Rentals, I am a big fan of. And one of the best piece of advice that I would recommend...because rental property is, find a good property manager. Depends on your circumstance but ultimately being the actual property manager, running it is a bit of a grind and most property managers will charge you somewhere between eight and ten percent of gross revenue.

But if you invest smart, if you follow the advice of Chaz and the Franklin Society, and you ultimately execute properly, that eight to ten percent margin should easily be, you know, factored into the initial upfront cost. So, ultimately, you're buying smarter, you're buying something more profitable, and that will more than cover the cost of a property manager. Because it is...you don't want that, I don't want that phone call at midnight that the toilet's broken and what you're going to do about it. I rather someone else take that call. And in turn, it enables me to make it a fairly passive investment across the board and enables me to focus my energy elsewhere. And I've also morphed into not only buying rental properties, but I'm also flipping houses now, as well. And that's been a good experience.

Chaz: Awesome. Well, we'll jump to the fixing houses in a bit here. We had a discussion about this a few years ago. And I grew up in a family that has a lot of rental properties and that can certainly be a pain. I've watched

you acquire these 30 houses and kind of had them on auto pilot. Not a hundred percent but they're much more passive than a lot of people because you have that property manager.

But one of the things that was a breakthrough for me was when you talked about putting some of these properties on 15 year mortgages instead of 30 years mortgages. And for whatever reason that struck a chord with me. I've got a couple of my rental properties that way based solely on what you said. Can you tell us a little bit about why you do that and your thoughts on 15 year notes? And how that's kind of different from what a lot of rental investors talk about?

Ed: Yes. That's a great question, actually. And it is relatively unique. In fact, I'm the only other investor besides you now, but the only other investor that I know that just exclusively does 15-year note. Let me level set on why others unanimously across the board prefer, as long as possible, usually get 30-year note. And the simple fact is, when they have rental properties with a 30-year note and they extend those payments out, they are looking to *maximize the cash flow*.

They're looking to get as much rental income to live off of, or to build their nest egg to buy more properties as possible. And that depends on your cash condition and

where you are today. But in my situation, I actually don't want the income today because that income comes in as earned income. And I would prefer to pay down debt as quickly as possible on each of the rental. And then fast forward 15 years later, then I have the house completely paid for. **And, when I have 30 houses paid for, over that span of 15 years, then I can very comfortably retire and then some.**

And it seems like the right business model for me. And what I've found on the average investment, and the difference between say a 15 and a 30-year note, is that the 30-year note will effectively cash flow approximately \$250 more per month, depends on the terms and the size. But you're looking at around \$250 perhaps \$350 -- \$250 generally. And, a person that does the 30-year note would argue with saying, well, I could always convert a 30-year note into a 15-year note by making additional payments.

But I've learned over time, and all the time I've asked them, they said, no. And I'd say, "Well, you can conceptually do that but do you do it?" And the answer is always, "No." So for them to discipline themselves to actually treat a 30-year mortgage either 15-year by paying it down quicker is very rare for anyone to actually execute on that model. So, ultimately, I've found that the 15-year model keeps you disciplined, keeps you

focused. You see, you know, a very relatively short light at the end of the tunnel.

Fast forward 15 years and all the notes are paid off and that's when all your efforts really become worth it. So, ultimately, I would highly encourage anyone here to focus only on 15-year notes unless you need the cash flow on a monthly basis. And if you don't have earned income tax concerns associated with that extra profit, then 15-year notes is the way to go.

Chaz: Gosh. I love it, and again that was a subtle but important difference for me. And I don't necessarily need the cash flow. And so when I put these rentals on 15-year note and I'm already a number of years into them, I think, "Wow, you know, I've just got a few years left and these things are going to be paid off.

I've got these assets. I'll be enjoying pure cash flow. Or I can sell them." Obviously, I'll take a tax hit. But it's a lot faster in my mind than a 30-year investment. Now, jumping into what our audience really wants to hear about, how you've made passive investments over the last couple of years. What types of passive investing has been your focus? I think you alluded to this earlier.

Ed: Yeah. Well, two primarily as I did allude to, but I'll put a little more detail behind it. So, the first one, of course, is

the rentals as I touched upon. I've hired a very good property management company. I've actually gone through a few of them, but I have a good one now that is doing what I need them to do. But you have to do your due diligence, of course, on anything. And ultimately, the rental business is very passive because they take care of everything.

I have a 30 minute meeting every Wednesday morning with my property management company. And they update me on, everything from who paid, who didn't paid. Once in a while you'll have to do an eviction but they have that automated as well. You know, there's repairs, there's deferred maintenance, there's decisions to be made on where we invest and how to invest. But really it literally takes me 30 minutes or less. And sometimes we don't get-together at all because nothing happened. But ultimately you can kind of allocate 30 minutes a week which to me is pretty passive for the significant returns that I'm getting. Thirty minutes a week to keep a pulse on what is going on with your portfolio and it serves me very well. So, having the right property manager can enable you to turn rentals into very passive income. And, so I would recommend that.

And then secondly, as I touched upon earlier, is that I've also branched out about 18 months ago, approximately,

I branched out into flipping houses. And a lot of that had to do with the market conditions have turned, and nationally across the country.

Actually, I think, there's opportunity regardless of where you live. **But flipping houses has been very passive for me. Very passive meaning that [in] my model is that I'm basically the bank. I basically fund the flips.**

So, for example, if you find a property that the purchase price is say, \$200,000, and we need to invest say, \$40,000, [to fix it up] which is about average on the flip investment of that nature. So, now you're in it for around \$240,000. The intention is to sell it for around \$100,000 more. So, you list it for about 340, with the carrying cost, and your realtor cost, and your insurance, and the taxes. And what you have to pay for that time, you generally in that scenario would net about \$80,000 in profit.

And I have outside of an hour to qualifying a property online. I probably put an hour online into doing research and validating the comps, the comparable houses, and what this thing is going to be worth on the sell. So, I spend about an hour online. And I've gotten smart about how to do that fairly efficiently. Then I'll agree to fund the flip. I'll then meet with the flipping partners, which I elaborate on in a second, at the property, to

make sure it's everything I want. We'll go through what the renovations are. How we're spending that \$40,000 as wisely as possible. And then, ultimately, that's it. Then I'm done. Then I usually just will write checks, typically, in 20 percent increments. Still under that \$40,000 analogy, purchased for 200, put \$40,000 into it. I'll initially fund that \$200,000, you know, 100 percent my money, and that \$40,000 is also my commitment to the project.

So, I will pay a flipping partner, a general contractor, if you will, in 20 percent increments. So, in this case \$40,000. And that would be about \$8,000 per check, five checks until the project is done to pay for material, and for labor as you progressively go down path. But that's usually just me leaving a check under the cushion, on the chair on my front porch when certain milestones are met.

So, again, that's very passive income. I don't go to the property. I don't deal with the contractors. I'm pretty much the bank, you know, across the board. And if something goes wrong within the project, when I retain ownership of that asset, and I can always take it back and take control of the project. And then if I have to release the partner, I'll find someone else to finish up the project. But ultimately, the rental business and the flipping business has been pretty much passive. You

know, 99 percent passive with a little bit of involvement from just keeping the pulse on my business. And it's very repeatable for those who are listening to this session.

Chaz: Awesome. Well, do you have any specific examples of deals that you've...of any flips that you've completed?

Ed: I do. Yeah. So, let's see, examples, I've got lots of examples. So, let's talk about...like regarding returns? Can you elaborate on that question you were talking about?

Chaz: Yeah. Yeah. If you have any numbers on, actual real numbers on what you might have put into a property, purchase price cost, what you've sold it for, and what those returns have been? Just trying to demonstrate to our audience what can happen if you find a great operator, and you put up the cash. They go find a fix and flip and present it to you. They have the construction budget. You've got to walk through with it to make sure everything's real. Obviously, do your due diligence on them. We'll talk about that later. And then when you sell it, there's a profit. I'm curious how you split that. And if you have any examples handy.

Ed: Yeah. I do. There's one particular project that comes to mind that was on a street called Gibraltar. And in that

particular case, I put in \$145,000. We made about \$35,000 on it in four months, in 120 days done from start to sold. So, in that particular case it wasn't a "big win," but we made about \$18,000 each on that particular opportunity. But it's proportionate. In that particular case, the "all-in costs" were \$145,000. And if you had doubled that, you should get a proportionate return. So, for \$145,000 investment, net over \$35,000, almost \$36,000 and to split that 50/50, is a really good return.

I mean, if you do the math on that, the cash-on-cash return is about 12 percent. But that's over four months. So, it's a little misleading. It's 12 percent which is exciting for most but when you factor in that it's actually over a four-month period when your cash-on-cash is usually, measured by the annual return, **that's actually a 37 percent annualized return on that particular flip.**

So, that was a good, nice return. **Certainly better than anything I've seen in Wall Street. And I had control of the situation the whole time.** So another, you know, flip that comes to mind is another one we did on this street called Randolph, right. So, this Randolph Street, we bought that one for 182,000. We put it about 26,000, and we sold it for 254.

So that was where we profited, \$42,000 on that flip. And we split that which would be about \$21,000 each for me and the flipping partner doing the 50/50 split which I'll elaborate on. So, in an all in investment at \$211,000, that's a 10 percent return. And again, annualized, that would be about a 20 percent return on capital. **And the beauty of it is that I actually did that particular transaction through a self-directed IRA with a significant tax savings on that, which I'll elaborate.** And then I've also had some ones that have been, you know, not as profitable. But it's still better than anything I've ever been able to see in Wall Street.

So, I'll have to say with certainty, my least profitable flips I've ever done was on this street called Logan. But ultimately, the short answer is that became about a nine percent return on capital because it was a bit of a Murphy's law. Anything that could have gone wrong on that one kind of did. The budget ran over. It took longer to sell than we expected. But still, my worst return is a nine percent return on capital. And that one took 180 days to sell, about six months to sell.

But still, my very worse experience to-date, as far as return, is a nine percent return which anybody in Wall Street right now into the foreseeable future would take that all day. But that's kind of some high level numbers.

And the ones that I'm working on right now, I have three active flips underway. One just went on the market last week. One should go on the market in approximately two weeks from now.

And another one, it will be about 45 to 50 days from now will go on the market. So, those are the different stages, and again I funded all three of them. I have different operators, different partners that are actually doing all the work, and I'll split the proceeds with them 50/50. And you never know until they're done but I anticipate that those returns are going to be exponentially greater than everything we've talked about here.

Those returns should be somewhere more like in the 60 to 70 percent annualized return based on, I'm getting better at this. I'm getting better at this, and I'm surrounding myself with better people. But as always you've got to learn. You've got to try. You've got to surround yourself. You get better with things and I'm at that stage where I'm really bringing down better deals with much, much better margins that just annihilates anything you'll ever find on Wall Street.

Chaz: That's exciting and, you know, congratulations on figuring this model out, and growing it, and learning, and improving. I mean that's the some of the fun of this too. And again, you're doing this all this on the side. You've

got a full-time job. And you've got 30 rental houses and doing this too. You know, there's no way you could do this if it wasn't partially passive.

Ed: It's a great franchise. I should probably emphasize to the audience that I'm 46 years old. I do have a full-time job but I also am married with two wonderful children that are four and six years old. So, as a husband, and as a father, you know, I am a very, very active father. I'm very actively involved in my children's lives. They're only so many hours in the day.

So, I've been able to build my business and it took time. And it took, you know, lots of education and school of hard knocks. But I got there pretty quickly within, you know, within less than a couple of years I built this business that now is really passive.

I only work a maximum of eight hours a day, five days a week. And I don't work nights. I don't work weekends ever, unless there's some kind of emergency situation and that would just generally be a phone call for ten minutes here and there. But generally speaking, I never work nights. I never work weekends. And I live what I believe is an optimal quality of life. I do have a full-time job.

I do those conference calls for a flip, or analysis for a flip, or analysis on a new rental, or dealing with some potential problems that happens in rentals. I do it all within that 9 to 5 window. And that to me is, you know, the lifestyle that most people are pursuing. And I've accomplished it through real estate investing and passive income strategies.

Chaz: And that's exciting, and it's got to be exciting for our audience, too, to see that it's possible. That you pick a path, you learn, you focus. And I mean, I'm sure there's a little bit more work up front but once you figure out the system, then you can relax. And not put it completely on cruise control but somewhat. You mentioned something when you were going through those examples. You mentioned that one of those properties, you purchased with your self-directed IRA. Some people may not know they can do that. Can you elaborate just a little bit on self-directed IRAs? Why you did it, tax benefits, and so forth?

Ed: I'm glad you went back to that point because it's a very important point to get across to this audience. So, I am a very, very big fan of self-directed IRAs. So, in short, for those who don't know, you absolutely do have the option to take your money out of Wall Street.

Say you're using Fidelity Investment, or Schwab or Vanguard account, whoever the case may be. But just hypothetically say, Fidelity or something similar. But you're using your investment, you know, investing in mutual funds, stocks, bonds through some form of custodian like Fidelity. And most people don't realize that they have a lot more power and control than they know. There are companies that are out there that are called self-directed IRAs companies. I personally use a company called New Direction IRA out of Colorado.

But there's many others. I like them because they're local and I can drive there. They do a great job but there's many others regardless of where you live. They're all over the country. But you effectively can take your funds out of the Fidelity's, or the Schwab's of the world and simply transfer them over to a different custodian, which in this case, could be a self-directed IRA custodian and invest with those. You can investment in anything. Not just real estate investments.

You can buy, you know, precious metal, gold, silver. You can, you know, buy anything, you know, investment in whatever you want. You can do, you know, luxury cars, you know. It doesn't matter. You can buy truly anything you want with your IRA funds. And the profit and proceeds, just like if you had the money in Wall Street, if

you could actually make a profit on Wall Street, would go back into that fund.

So, just hypothetically, just say you have a \$250,000 portfolio with Fidelity today and it's not going anywhere. It's flat-lining or going negative. Perhaps you should consider taking that \$250,000, moving it to a self-directed IRA company, and invest in real estate, or other things. In this particular case, real estate is what I did. But now all of a sudden those flips, or many of the flips, that I'm doing was taking approximately 120 days to "start-to-finish" the project.

So it doesn't actually work out this way, but you're generally looking at doing about three flips a year. I'm doing three flips a year with that self-directed IRA money and ultimately profiting, you know, somewhere, you know, of about \$30,000 to \$40,000 on average, per property, or per transactions.

Do three of those a year and the next thing you know you're somewhere around \$90,000 to \$120,000 increase in your self-directed IRA portfolio. Which I know that's like an obnoxious number you'll never see...will never happen in Wall Street, especially with the all the fees, and you know, fee for this, fee for that. I mean, you just get destroyed on any profit you could

possibly make on Wall Street with just lost fees. Well, there're no fees in this particular situation.

There's just a small, little transaction fee here and there, but it's a negligible amount with self-directed IRA companies. But if you're making, you know, to keep it simple, do one flip, you buy it, you make say, \$30,000 for this example. Maybe you're all in with \$200,000 for the purchase and then you put another say, you know, \$50,000 into the renovations. So that's your \$250,000 that you have in that account to utilize, and you profit \$30,000. Well now, after the sell, you now have \$280,000.

Thirty-thousand dollars of that plus the \$250,000 initial investment and now you have \$280,000. But the beauty of it is, it's all tax deferred. Effectively the same thing as you're making money in Wall Street through a Fidelity-like custodian, same concept. You don't actually pay taxes on it. In other words, the taxes are deferred until you pull out the funds. And at 59 and a half you can start pulling out those funds at the earliest.

And now the tax basis on those funds that you pulled out are based on your earned income at the time. So, if you wait until you retire, the earliest 59 and a half, say, you know, 65 and your earned income is very low, your tax basis is very low, perhaps, you know less than 20

percent. Now you're paying very, very cheap taxes on the properties you made through flipping. And, you know, flipping houses, and the same concept applies to rentals.

If you don't want to flip houses, that's fine. That's what I prefer to do because it has the biggest bang for the buck. It's moving, you know, it's growing my account more, and more. You could also buy rentals. You could buy a rental, a mini rental. And you can finance those rentals. So, if you still have that same \$250,000, in concept, you could buy 10 homes but with \$250,000 because you can take \$25,000 times 10, \$250,000, buy 10 different homes with \$25,000 financed through a bank that they will put up the other 80 percent. And then all of the profit from that home from the monthly cash flow, go right back into your self-directed IRA with no short-term tax consequences. So, again, it's all deferred taxes until you actually start taking that money out. And the beauty of it, as well, is that if you sell that home, same concept as flipping. You sell that rental home so you cash flow it for, you know, for ten years. And it just cash flows and it just keeps growing up your IRA account.

And then you decide, now it's time to retire. I'm going to sell that rental, you sell it, and, you know, in this case, you know, you sell all 10 of those rentals. You know, all of those profits that you make on the sell of all the 10

rentals all go back into your account tax deferred as well. So, it's an absolute tremendous...self-directed IRAs is a tremendous way to grow your retirement portfolio, and position yourself for a nice passive retirement.

Chaz: Excellent. I think, you know, so many people in our audience aren't even aware that they can use self-directed IRAs. That is a wealth of knowledge. And I encourage, as I'm sure you do, Ed, anybody to look into that. Ed mentioned New Direction IRA in Colorado is one he used. I'm sure there are companies like this all over the country. Do your due diligence on them but if you find them, they can also answer any more specific questions you have on that.

Ed: Yeah. That's a great point, Chaz, and what I've found...there's another one that's a larger one that's called Entrust. E-N-T-R-U-S-T. Entrust is, I believe, is the biggest one in the country. Both Entrust and New Direction IRA, and a host of other ones, really do a phenomenal job on educating the consumer before you invest. Both of them provide, it seems like constant, you know, certainly weekly seminars, webinars, some live, some you know, some just online.

But there's a constant flow of education from these self-directed IRA companies. So, I would encourage you to reach out to New Direction IRA. To reach out to Entrust

or someone else that's local and you're comfortable with. Get an education on it. And it seems so scary because it's not the norm. Most people just take that herd mentality, and what you do is you get a Fidelity, a brokerage account, or you get a Schwab brokerage account or somebody. This is what you do. This is what you do, you know, just anyone with extra funds that's trying to save for retirement generally does. But you don't have to. You can think out of the box, and there are alternatives that is much, much greater than Wall Street.

Chaz: I love it, man. Well, thanks for that. Everybody listening here should heed that for sure. At least investigate it. So, Ed, you know, in all these investments that you've done, do you have any criteria for what makes a good investment? And what types of returns are worth taking the risk of putting capital up?

ED: Yeah. That's a really good question. On the flipping side, I look for a bare minimum of 20 percent return on the capital. So, if my all in is \$200,000, you know, the obvious math is that I'm looking for a return of \$40,000 on my capital, every approximately 120 days, you know, across the board. And that's very doable because if you get the right partnerships, and you get, you know, the right people, you surround yourself, I think that very repeatable across the board. The 20 percent return on

the capital with flips.

When it comes to rentals, it's a different formula and a different model. The rentals are more about cash flow, more about, you know, your note. A, however you financed it, assuming you financed it, that you want a certain return on that investment as well. But that's generally measured by cap rates, or capitalization rates. It's more complex. For you guys, you just go online and type in capitalization rate or cap rate. It will explain the formula. But ultimately, a cap rate is all your expenses, not including your principal and interest, but all your expenses related to the actual initial investment that you made and what is your return on that investment.

And I look for a 10 percent cap rate on my rentals minimum. I'm averaging somewhere close or just under 14 percent, like 13.9 or something percent. But ultimately, I look for a bare minimum of 10 percent on my cap rate and then I also look for built-in equity I made upon the purchase. So, if I buy a rental, I usually buy rentals that are more, you know, on the cheaper side because they cash flow better, and they ultimately become better rentals. And, you know, just so hypothetically, you purchase, let's keep the math simple, purchase a rental for \$100,000. You put \$25,000 in. So

you're into it for 125. That rental should be after repair value, or ARV, should be approximately 175, you know, 165, 175.

So, if you purchase for 100, you put 25 in to make it rent ready, it's worth around 175 after it's been repaired. And it has about at least a 10 percent cap rate. That's a good investment. I would take that down all day. There's some people would be listening to this would say, well, I live in San Francisco, or I live in Manhattan, I can't find anything that cheap. Well, the cap rate and formula still apply even if you double those numbers. So, instead of \$100,000 purchase, and put \$25,000 in, OK maybe you purchase it for \$200,000 and you put \$50,000 in, or triple that. But the formula is true.

And there's an old adage that, you know, "figures don't lie, but liars figure." And I always like that because if you stick to your numbers, if you understand your formulas and you stick to them, regardless of what sales pitch you're getting from some realtor, or if someone tells you it's the greatest deal ever, stick to your numbers and you can't go wrong. I've been, almost emotionally got wrapped up in some properties that I liked for one reason or another. I thought it was an up-and-coming neighborhood, or this or that. And at the end of the day, I went back to my numbers and I just say, no. If it

doesn't work in my formula. And it takes time to build your formula and understand it but there's lots of training sessions and lots of education courses that can help you learn them. So, the short answer is 20 percent return on capital on flips, 10 percent cap rate on rentals, and you can't go wrong.

CHAZ: I want to add one more exciting tidbit to this, Ed. On your rentals, not only are you, correct me if I'm wrong. Not only are you making a 10 percent return on the capital investing, but every month you're paying that 15-year note down. So, if you factor that number in, some of the tax benefits of rentals, you know, writing off depreciation, repairs and things like that. On the surface it's a 10 percent return which is already great but then you factor in those other pieces, the principal pay down, some tax benefits, gas mileage, things like that, where else can you get an investment like that?

ED: That's correct. You're spot on. You're absolutely right. The cap rate as I alluded to, I was just talking about, effectively the cash flow, the profits, for your initial investment after all expenses are factored in. But that doesn't count for the principal pay down. And that kind of comes full circle back to the early part of this conversation about the beauty of having a 15-year mortgage. Because if you have a 15-year mortgage and you can still pull a 10 percent, cap rate, your cash flow is

strong, and you're paying down that debt. I'll rephrase that. You're not paying down that debt, your tenant's paying down that debt and that's an important distinction.

You know, any time you have, there's good debt versus bad debt. Every time you're writing a check yourself every month, or having direct deposit of your own funds, like generally on your primary residence, that's bad debt because you're writing a check. If someone else, your tenants are writing that check every month, and paying down your debt, that's a good debt. I have now 30 different assets that are all good debts that somebody else is paying off. And, you know, I'm three or four years into many of these notes and there's the ones that cumulative, when you fast-forward on all of them, let's say on up to 15 years, man, that's going to be a joyous day when all of those notes are actually paid off. And that's just pure cash flow coming in. Then I can more than comfortably retire on and set myself up for a legacy situation for my young children to hand them eventually a portfolio that is all paid off, and teach them the business, and teach them to be able to be self-sufficient on repeating what I did in the previous years.

So, I'm not only excited about my own income and my own, you know...I have **absolutely zero concerns about my retirement, you know, my economic stability in my**

in my later years, zero concerns. I spend no time thinking about it because I have these formulas in place and I'm making those investments. And I know that within 15 years all that debt has been paid for by my tenants. But it also makes me feel good from the legacy perspective of knowing that my family is taken care of even long after I'm gone. So, to me, that's very, very important to me and it makes me sleep better at night.

CHAZ: Great, Ed. I mean, that is exciting for everybody, including your kids.

ED: Yeah. True.

CHAZ: So, I know I've had you on here for a long time, so I'll start to wrap this up. Can you tell us of any mistakes that you've made, or any bad investments that you've learned from that could benefit our audience as well?

ED: Oh, yeah. There's certainly mistakes. I learned from them and profited from them, as always. So, out of that I think there're two worst experience that I've had. And they weren't that bad, but they were still unpleasant. I've had one flip partner that brought an opportunity to me and we agreed to do a 50/50 split and they were overly optimistic on many different fronts about what the ARV, the actual repair value would be. And they

miscalculated many different things about this particular flip.

So, I ultimately had a falling out with that partner. I released her. I got directly involved because I already had the crews and I knew them. And that particular investment became less of a passive because I had to get directly involved but even that was fairly minimal. I was just managing the crew from, you know, mostly lots of phone calls. But I ultimately released a flip partner that I'll never work with her again. But I learned a lot through that. So, that was one bad experience. And then on the other side, I had one GC partner, that's a general contractor partner, who was actually running the project and, you know, hanging the drywall, and painting the walls, had their own crew.

And that particular person ran into a significant personal crisis and I was sympathetic with the issues that they had to address. Basically, a divorce and then some health issues and a lot of things went wrong. So, that particular GC partner did not perform, and I ultimately had to release that person and take on a new GC and go forward from there. So, it's not, you know, like the end in the world...I mean, you invest in the stock market, you know, and we happen to be going through this week, as we're recording this session. You're going to, you know, take some losses. But ultimately you get smarter, you

get better, and you can go forward from there. So, it hasn't tainted my view on flips at all, even though I had two bad experiences with that. I've made up for it, and I've gotten better, and I learn from it. So, hopefully you can do the same.

CHAZ: Well, any other parting words or advice to other investors?

ED: Yeah. For those that, like where do we start, you know, what's the next step? You know, or how do I get going on this? In every major city, you know, across America and probably over the world, there are investor clubs, real estate investor clubs, you know. And there's often like breakfast sessions, you know.

There's a group of 100 different investors often will get together and sometimes smaller groups, but there are many different consortiums that are existing in just any major town. And if they're not in your town, or if you're in a smaller town, you can dial-in remotely into many of these different sessions. And they're often free, or just a negligible cost. They're really cheap to get involved in. But you can surround yourself with like-minded people that are either investigating the real estate business on either the flip or rental, or both. And just kind of chat with them. You know, chat with them because they want to learn from you. You're going to

learn from them, and you'd be surprised how open these people are to telling you their trade secrets. And ultimately, this is where you're going to find your trusted advisors. You know, your trusted people to find you new deals.

They're going to find you general contractors, or different suppliers, your roofer, your plumber, your electrician, all these different other folks. And you're going to find realtors, a lot of realtors, and you're going to find wholesalers. And wholesalers are effectively like a realtor but they're not a licensed realtor purposely. And these wholesalers are generally the ones that will go to auctions. They will find opportunities. They will put out what we call, bandit signs, those signs that say, We Buy Ugly Houses. You know, people will call...

And they'll find opportunities and bring you distressed assets, you know, that you can buy. They'll buy it for a certain price and put a, you know, \$5,000, \$10,000 increase on top of it for their time and effort. But ultimately, they're still really, really good deals that are not on the standard real estate MLS. But it all starts with going into a local investment clubs, and surrounding yourself with like-minded people that ultimately you can learn from.

And when the timing is right, go do your first deal. And I emphasize do it as quickly as possible. Don't fall into the analysis paralysis bucket, just do it and you'll learn. You know, you'll learn. Will you get rich your first deal? No. But you'll learn and you'll get better at it. And ultimately, as you do it enough times, you start to make significant profits. But it all starts with an investment club.

CHAZ: Great advice, Ed. I'll toss out one little tidbit for that. If you go to meetup.com and type in your city, you can find local investment clubs like Ed's talking about. I know Ed has been part of a number of different meet-up groups and investment clubs. And it's been a key to his learning as he's said here, breakfast and so forth. Well, again, I know we really appreciate your time and all of our audience greatly appreciate it as well. You've talked about so many different topics here, a wealth of knowledge. Thanks so much, I'm sure you and I will talk soon. And have a profitable week.

ED: Excellent. Thanks for the opportunity, Chaz. Good-luck everyone.

CHAZ: Alright, thanks bye.

Interview With Dave French on Passive Real Estate, Private Money Lending, and Angel Investing

Dave French was born and raised in Denver, CO. He attended the University of Colorado in Boulder, then served in the US Army including a tour in Vietnam as a lieutenant. He's traveled to over 50 countries and had a long career in commercial real estate. He started his own company, French and Co, a RE development company that successfully redeveloped the D&F Tower in downtown Denver, along with building the first Colorado Convention Center. He serves and has served on the board of numerous non-profit organizations including the Children's Museum, Griffith Center, Big Brothers, Redline Galleries, and the President's Leadership Class/Student Leadership Institute with the University of Colorado. He also started the Orbis Institute as a non-profit whose mission is global leadership development for youth. Besides real estate, has been involved in numerous entrepreneurial and investing ventures including restaurants.

Chaz: Hi everyone, this is Chaz from the Franklin Society, and I have Dave French here with me. I first met Dave 22 years ago. I just figured that out today. I had to pull out the calculator to make sure that's right, Dave!

Dave's been a dear friend, a mentor, an entrepreneur, and a savvy investor. And we often talk about different deals that he's invested in. To kick this off, Dave, can you tell us briefly about your background and what you're up to these days?

Dave: Hello, everybody. I'm David French and, you're right, a good friend of Chaz. Basically, my background was in commercial real estate. So, I've got kind of a foundation in learning through office leasing with a company called Grubb and Ellis years ago. And then I became intrigued, obviously, in investing because one needed to plan for the future.

Chaz: Great. Well, you've definitely done a lot of investing over the years. I know you have invested in some businesses and a decent amount of private money lending - whether that's hard money on real estate with asset backed, real estate loans. Also, I think you've done peer-to-peer lending where you've lent money to people that they needed for personal needs. Finally, you've done a decent amount of passive real estate investing.

Now, I also know you've been an active entrepreneur where you had started restaurants, and you have done fix and flips, and, you know, even put together the first Convention Center in Denver. Those are all deals that

you're active in. But what I'd like to focus on is more of the passive investments where you've...and nothing is 100 percent passive, but usually I'd like to focus on the deals where you've invested capital, and somebody else or some company has gone and made a return for that capital. I'm sure, some mistakes along the way, or not necessarily mistakes but deals that didn't turn out as well. Before we get into those types of investments though, kind of what is your strategy for investing?

Dave: I think that is fairly complicated because it changes with years. I mean, I'm now a senior citizen and so if I've been investing for 40 years, it obviously has changed maybe decade to decade. So, I think the answer starts with something like being opportunistic and finding out what's possible. I mean, there're some types of investments that are, out of scope, or out of reasonable chance to accomplish them. So, I would say maybe that the lesson learn, is that being entrepreneurial, which is the key, that my strategies would change depending on the marketplace.

Chaz: Awesome. Well, a lot of our customers are used to working their job, doing their W-2 income, and investing in the stock market. And investing outside of that can be scary. Why do you invest in some of these, what some people

deem alternative investments? Why do you do that and not put everything in the stock market?

Dave: I think one reason is that I'd have no control over the stock market. A lot of times unless you're really lucky, there's not a decent rate, decent return. And if you take an entrepreneurial look, I think that one should look, maybe at a basket of maybe 30 percent of conservative investments, 30 percent of maybe just middle of the road, and then 30 percent more risky. So, I just have, spent maybe 60 percent of what I try to do is a little more risky than the stock market.

And probably the real answer is that, within reason, you could invest in a business as a passive partner either providing the financing or some kind of knowledge. And that's tricky. But the real answer is, I think a lot of times I've invested with an idea that a partner had and that usually is 50/50. The partner does the job, produces good results, and a lot of times the other 50 percent is the partner doesn't accomplish their goal. So, I think the real answer to that is finding opportunities where businesses are run by active partners.

Chaz: Great. Well, when you're making these investments, obviously you never hit them all, but how do you determine before you invest what is a good investment? What runs through your mind?

Dave: Again, I'm probably the most entrepreneurial of most investor types. And I think where you can get really screwed up is when you see an opportunity that looks too good to be true and at some point in time, they're not true. So, I think that, sometimes you think a good investment is something that looks like they're going to provide some fairly wide returns. So, you think it's a good investment because you get addicted to the return, what's on the paper. So, I think that one needs to be more conservative. And there's no general rule of thumb. **Let's say today's market for the last five years, you'd really want to make a 10 percent cash-on-cash return on your investment.** I mean, that's just been an old kind of a standard rule. So, I would just throw that out as what a good investment could look like. And most of my background is in real estate, and there is a wonderful saying in real estate,

"There's four ways to make money in real estate and it's the old girl Cate, C-A-T-E.

- Cash flow, which I just mentioned.
- Appreciation, which has been why a lot of people have made a lot of money in real estate.

- Tax shelter, which is always good.
- And then E is, equity build up. If you bought the house next door and it paid off 20 years, over 20 year loan, there's your equity build up."

So, that's kind of a longer way in answering that question.

Chaz: That's great. Dave, you're a people person, and one of the tricky things, I've found, in finding alternative investments, is figuring out who to invest in. You've made so many investments over the years in partnerships, are there any tips to finding out, that you can share, on how to figure out if somebody's trustworthy? If somebody's going to do what it takes to get the job done? Are there any things that you've come across that's a good way to determine who to invest in?

Dave: Yeah. And that's a good question. **I think the best answer is past history.** I think it's very difficult even though you could have a friend, somebody who you think you know fairly well and they have a new deal, or a new idea and they haven't been in that business. [And that's a dangerous investment.] I think that the answer is that if you find somebody who has past performance in let's call it real estate even, then you can look a track record and know that their ethics are in place, and their business acumen is in place, and that you can somewhat trust part

of that, at least the partnership deal to past history. Past history usually supports present behavior.

Chaz: Great. Thanks. That's good and that's, I think that's probably the number one way. See how people have done in the past. Because what else do you have to go on?

Dave: Yes. That's a good question. What you have to go on is the slippery slope of big personalities, and the people who can sway and persuade. You really have to be leery. It's so easy to get sold a deal to people who have incredible ways to sell deals. The peer influence that these people are investing, you should invest. Every-day in the newspaper you'll see something about some con artist who convinced people to invest based on a storytelling, right? And, so you have to watch the story and watch that the partner is not just a total sales person where you can't really trust them. You have to dig hard and convince yourself you've got an ethical person.

Chaz: So, you know, looking into some of the specifics of different types of investing you've done, can you tell us a little bit about some of the businesses that you've invested in? What types you've invested in? How you did with those? And any good stories in investing in businesses.

Dave: Well, I started out, you know, whether it's a business or not, way back in the day before, about when you were born, that's a long time, in buying single-family houses in Denver when the market was really at a low edge. And trying to bring that to present day is that there's this conversation about in buying real estate about "OPM," -- other people's money. So, specifically, I knew early in the game in real estate, still true today, I think, that you can leverage, and that's a good operating word, real estate. Take a single-family house, let's just take an example of a \$100,000 house if there is such a thing.

Not in Denver. And you can get an 80 percent loan from a bank...and developing strong relationships with community banks is really important. The larger banks aren't going to be really playing this game of helping you purchase a property, a single-family house. So, let's say your local bank lends you 80 percent to make a quick story, and then, maybe, the owner carries 10 percent at a higher interest rate, and so you put 10 percent down, but with the interest rates being as low as they are now, the thing still cash flows. So, that's leverage. So, what I look for in investing in that case, in real estate, is leverage. So, that's one principle.

I was always intrigued by the hospitality business and invested in the restaurant business and was about 50

percent successful mainly because I wasn't the operator. I was basically the idea guy or the finance behind it. So, but in each case if we owned the real estate, if the restaurant had a problem we could still sell the real estate. So, I got...I think part of that conversation is, if you're passionate about something, it's really going to help. And so a lot of people succeed in business because they really are passionate and committed about their business. They like what they're doing. If you don't like what you're doing, you'd better not do it. So, that gives you kind of an idea.

Chaz: Excellent. Well, I'll tell you here at the Franklin Society, we are all about finding what you're passionate about and finding freedom in whatever way that is. Now taking a look at another type of investment you've done, private money lending, both hard money deals where you lend money to somebody to buy real estate and other types of private money, maybe lending to somebody who needs some cash. If I remember correctly there was somebody who might have had art as collateral or something like that. I want to hear about some different types of private money lending you've done. What your general returns on capital are. What you normally charge. Can you tell us a few different cases of private money lending?

Dave: Yeah. I'll give you a few specific examples and then I'll remember that there is another side story, is again, if you can accumulate some capital. So in Denver the easiest way to do that is let's say, a second mortgage. So, a person who I knew was selling a great property in an area in Denver called Cherry Creek. They had to remodel it for about \$30,000, \$40,000. They just didn't have the ability to go to the bank and borrow that for whatever reasons. A lot of people just don't have good credit.

But the equity was in the house. So, I knew that there was a margin, let's say in this example it was a \$500,000 property and the loan was for purpose of discussion, \$350,000. So, I felt comfortable making a \$50,000 second mortgage knowing that there was almost another, \$100,000 equity on top of that. And this person who only needed the money to fix the house up to sell it was actually happy to pay an interest rate of 12 percent and 2 percent front-end point. Front-ends points are very important because usually there's no pre-payment penalty with hard money loans. So, the answer to basic hard money lending is something like, again in real estate, 12 percent and 2 percent front-end points.

And the other type of [investment]...when you mentioned, I had a friend who needed some cash flow to run a business as a...he was actually a public speaker and a book

writer, and cash flow was always in and out [for him and not] consistent. But he actually had some art that I had appraised meaning, oil paintings. So, I made a small loan based on that. The caveat there is that, as a friend, a handshake buddy, **lending money to friends is a little bit trickier**. I'll make that statement very clear. But in this case, the art was to be sold this Fall. But this friend, has fallen ill and is incapable of selling the art. So, now I'm in a bit of a quandary about how to get that loan paid off. I'm not too worried about it but real estate is a little easier to predict. The worst case, you foreclose, etc., etc.

So, the caveat in lending on tangible things like art, is you really don't have a...you've got all kinds of potential problems, insurance, the art "walks out the door," etc. And in this case, my friend really can't get it sold right now. So, I think that's an issue. The other thing I wanted to mention was that, if somebody has equity in a house, they could use a HELOC loan [HELOC = Home Equity Line of Credit].

HELOC loans, let's say are 4 percent. A person has a \$500,000. They have a \$200,000 loan against the house, let's just say for purposes of discussion, the HELOC is \$100,000 which would be on top of the \$200,000. The bank's total amount of the loans is only 60 percent. So, you can actually then arbitrage that. You'd borrow that

money through your HELOC and put it to work at 12 percent and the differential is obviously eight [12% loan - 4% HELOC costs = 8% profit].

And so, you can make money with being able to borrow against an asset and charging a higher interest rate. And I think that's an intriguing way for people to think about investing. If you have a big chunk of equity in your house and you make a conservative investment. Now remember, that investment, say in real estate, you're pretty sure you're going to get it back if you're conservative. What you'd have to predict is if you did something risky, you'd then end up with \$300,000 of loans against your house and have to make those payments. So, it's not [perfect]...it's just another strategy.

Chaz: Yeah. Just to reiterate, what I think you're saying is that, you can use your HELOC (your home equity loan line of credit) that you have at usually a very low interest rate. Right now, I hear of a lot a people, between 2 ½ to 5 percent HELOC, depending on when they got them. And you can lend that money out at 12 percent -- not to mention, points on top of that! So, depending on how fast somebody turns around a hard money loan, you might be able to make 15 percent on that. And that 15 percent, obviously, you're paying the interest on your HELOC of whatever that is, 4 percent, say. So, a 15 percent loan,

minus 4 percent is 11 percent. You're making an 11 percent spread by doing a very conservative loan. Of course, there is the risk that that money doesn't come back. I think that's one of the things we talk a lot about is, how do you protect those investments.

Which leads me to my next question. When you're doing a hard money loan, on a piece of real estate, what do you require of the person that's putting in that loan? I think you've mentioned in the past some types of insurance, some title work to be done. Those types of things just to protect your investment.

Dave: Yeah, I would say that for the uninitiated, it's important to primarily learn the most basic is that the best thing in real estate is this wonderful thing that title insurance companies have called, title insurance. So, you get a mortgagee's policy, remember E, is receiving, R is give.

That's how I remember "mortgager" and "mortgagee." So, that as in a loan on a property, then you want a title policy as a lender which is provided all the time by title companies for conventional loans. And then you absolutely want to walk away with being a "name insured" on a home owner's policy on the house for fire, and etc. So those are the two primary things in real estate. I really

haven't thought about in other investments. I guess it's called protecting the asset, right?

If you're not lending on real estate then how do you protect the asset as much as possible? Most borrowing from a bank's position and if you're a lender the same thing. There's an old rule about having two methods of repayment which I think is a good one to remember. In the case of real estate, it's basically the assets of the real estate. And then you want to try to hope that the person individually has enough to pay off that loan through selling other assets. It's not always going to happen that you'll have two methods of repayment. But that's been fairly classic in bank lending. So, it's collateral, collateral, collateral, very difficult to want to make signature loans except on a very, very low level basis.

Chaz: Fantastic, and great advice there. Another level, I guess with hard money loans, I was thinking about is filing a deed of trust. So, when you loan on a hard money loan, you want to file a deed of trust so that if there's foreclosure, you are in line to get paid off if a foreclosure occurs. Have you, by chance, ever had to foreclose on anybody?

Dave: No, luckily not because I haven't been doing enough to have had that problem. But it's like, I haven't but to

understand those rules would be important. And I think the... I'd kind of forgotten that it's basic that I'd forgotten, that the note and deed of trust are the most important protection, right? Then come the title policy that insures that person had the title, and then fire and protection insurance.

So, I generally advise that somebody would spend...in the last case I saw, an attorney might charge \$700 to prepare a note and a deed of trust -- well worth the money. For simple loans that you get to know, you can use a standard form of a deed of trust, and a fairly standard form as a note. But I think if an investor wants to keep working in real estate [loans], they need to really hunker down on the type of note and deed of trust they want to use and to get some legal advice. And that would be the first time out paying an attorney to write up a note and deed of trust. And then they can just copy [and reuse it] for the next one.

Chaz: Perfect. Great advice again. Switching now to another type of investing. You've done so many types. You've done a fair amount of passive real estate investments, from what I understand, where you put up the capital and somebody else takes that money, invest it in real estate. Usually fix and flips which we all know there's a lot of those show on TV. And we all know that the TV shows do not pan out as much as reality. One quick aside, I will add

that a buddy of mine has a second home. He was approached by a reality TV show to use the home as a...it's a nice house but to use it in a reality show as somebody's buying this new house, to stage the whole thing.

And he said, "What you mean all this is staged?" And they said, "Oh yeah, and if you know any friends who want to be the actors for the show, that's great, too. We'll write the script." That goes to the show that everything on these reality shows is completely made up. Most of us had a hunch of that but this certainly proved that case. But I digress...

Back to these passive real estate investments that you've made, how've you been in those? And tell us a little bit about those.

Dave: The answer probably lies again in the partner. And I'll emphasize that a little bit later. So, in the case of fix and flips it has to do with a couple things, knowing what the end game is, knowing the market of what the property will sell for. And then, in a lot of cases, the markets are not good for fix and flips.

And what I'm trying to say there is that, when a market is hot like Denver, then an older un-remodeled house might've sold for 30 percent less than the house next door

that was really spiffy, now it might sell for 10 percent less because people just want the neighborhood, they want the backyard, they want the school system.

So, you have to know a market to know what the appreciation is going to be. And make sure the market is there for the older property is not so hot that you don't have enough margin. So, basically, it's knowing the market, and knowing what the end product is going to sell for through appraisal of what's in the neighborhood. Again, it's the partner and then it's really hunkering down on construction cost and the contractors.

It's very difficult almost in any growing market to find good contractors. And I want to emphasize that point for people who are thinking about flips and fix. It is historic that most contractors, subcontracts to others. They work so hard trying to do so many things that they will tell you they're going to get on it a certain time and then they jump to another job, and they keep you buffaloed for a while.

And then this, that, and the other. So, one of the biggest problems I think in the fix and flip business is getting a good contractor who has good subcontractors. So, but that's...if it's real estate, then you're hoping that your partnership works, you're hoping that the real estate you

created value by doing creative things, and then the rehabilitation. And then you're hoping that you get your construction cost in at the appropriate level.

Chaz: Yeah, I think you're right. If you've got the right operator. And what I'm hearing you say is, a key component of, if you're investing or somebody who's going to do fix and flips, is as you said earlier in the interview, looking at somebody's track record. And part of that is their construction management skills. Not that I mean...you know, I'm sure there's some people you can invest with that they go out and swinging the hammer, and paint the walls, and do all that.

And that you can probably trust if they've got a track record. But if they're the kind that are going out and hiring other subcontractors, they've got to be pretty good at construction management and in picking good crews. Before we did this interview, you and I had talked through some numbers on some investment that you did. Do you mind if I go through those with our audience?

Dave: No. That's fine.

Chaz: OK. And you can jump in if I've got any of this wrong. It sounds like a couple of years ago you invested with a group. They did four different fix-and-flip deals. It sounds

like, some of those...you'd buy one, and then a little later you'd buy another one. And then one would sell, and then you'd buy two more. And so, at any given point and time you'd have more money in than others. At the high point it sound like you had about \$300,000 out, \$304,000 to be specific. And over the course of that year, you made \$72,000 on that \$304,000.

Dave: Right.

Chaz: So, if you do the math, that's a 23 percent return on capital which sounds great. And, you know, I would take that all day, any day. But then if you look at the timeframe, you know, one of these flips you said, was done in two months. One took a little longer, and was six, one was way longer, and nine. And one was in three. So, that averages out to five months. So, if you averaged all those together, not only was that a 23 percent cash-on-cash return you did.

But if you annualize it, that's a 57 percent annualized return. That's pretty good. And I think, you know, if people find a good operator that knows what they're doing, those are the kind of returns that can be generated. That's exciting. And I imagine you've got some comments on the difference between, you know, when you look at it, as we've talked in the past, you don't necessarily look at

the annualized return, more just the return on capital for the year. Is that right?

Dave: Yeah, I think that's right. And I think there's a lot of apples and oranges that in an ascending market, and that's what Denver has been. Then, and being able to take something that was, let's call it a dump, and do something really nice with it. I think one of the tricks in fix and flips is to spend the money and do a very quality job and people know quality when they see it.

So, I think in the cases in what I was involved with was adding that extra bit of quality to ensure getting the higher price. So, I think that is, I guess the other piece there is that somebody who wants to engage in this needs in the fix and flip business, and again it depends on the community they're in, I think it's absolutely advisable because I'm just thinking Denver. But I'm not thinking of the U.S. as much, to really go spend some time and find a good real estate broker.

And good! I am meaning good, because everybody knows when you're buying a property, the commission is paid by the seller so you really have kind of a free consultant showing you properties. So, that's very, very important. And then if you find the better broker, they're going to smoke out the better deals.

That's just the way it is. To mentor with that is that if you were selling a house for \$200,000 and you had a total of \$150,000 in it, the broker is going to charge roughly six percent, or \$12,000 and that subtracted from 50 [thousand of profit], is 38 [thousand in profit], so normally speaking, on the way out is a tough argument sometimes that I've had with you and others about that you can't really avoid that as much.

You'd pay about 30 of your profit to the brokerage function. In any case, in any community, there's a split fee, usually about 50/50 or some semblance of that. And that's for the cooperating broker and the listing broker. And most people knows how that works. But it's also worth looking into for-sale-by-owner, or limited service. You've introduced me over the years to a company that does limited service where you do a lot of the work and they basically put it in multi-list, etc. So, there's some variation of themes there on how that works.

Chaz: Great stuff Dave. I've only got a couple more questions left. Warren Buffet has been using your line, I've heard.

Dave: Oh, my God.

Chaz: "It's not the return ON your money that's critical, it's the return OF your money." I jotted that down from you years ago. And then heard Warren Buffett say that.

Dave: Did he really? He stole it.

Chaz: He stole it. And he's been...

Dave: He was at my last lecture.

Chaz: He's been listening to these interviews. (sarcasm) Over the years, you know, do you have any stories that come to mind, either good or bad of investing where you either got a great return, you either got zero return, you lost the money that there might be some lesson for our audience?

Dave: Yeah. I think that, that is a classic line is that, if you think about investments, and it depends on how entrepreneurial you want to be. So, that's the fun part of this is, some people will be conservative, the other people won't. Then all the things we talked about, you have to keep adding up, put in play, plus others. I think that it is a bit of a joke is that, what most people want, including me, is if I didn't make a dime on an investment, even if it was two years or more, but I got my money back then I would say,

"Wow, I didn't lose my capital." The biggest pain, and the risky part is, depending on, as I said I think you should only put about 30 percent of your funds out in high risk, and then 30 percent medium, and 30 percent higher risk. (I'm not going to get back to 100%...so it should be, 33, 33, and 33 conservative.)

I think that's absolutely right is that, in real estate, you're usually going to get your money back because it's...and very few markets are declining, except for when there's, in like we've had the crisis in the housing market some years ago. But I guess back to the point, is I've lost money. I invested in a wine shop in Larimer Square in Denver.

It was the wrong partner. It was the wrong management. It was the wrong location. And all we got was a few bottles of wine which were pretty darn tasting but that didn't do me much good. So, there are a lot of operating businesses where...and I think that's the key. Real estate is literally that. It's kind of standing there and over time, probably is going to gain back its value.

But an operating business, like I've lost money in the restaurant business, operating businesses, because the operating costs are constant. And unless the gross revenue is there, that's pure net loss. Right, so, you have to watch businesses where you have high overhead. The

easiest ones to look at are maybe internet businesses and others where you can know that it's not a big overhead that would eat up your capital. So, that's just a few thoughts.

Chaz: Great, Dave. Well, I know we've taken a lot of your time here, and I greatly appreciate it, as does our audience. Unless, you've got any other last thoughts, we'll wrap this up and hope that all of our listeners took all these nuggets and can put them into action.

Dave: Yeah. And I would say maybe the last thing is, try to find your first investments where you could basically afford to lose it. You're not probably going to lose it but don't do something out of the gates where you really don't know what you're doing. And do smaller chunks of something and find investments, or partners, or whatever, and just be a small investor.

And watch it and know that if you lose it, it's not the end of the day. And then you get in the game, right? You get to watch the process of how an operating partner works, how the business works, etc., etc. And I would say that the biggest mistake could be in not knowing your partner. And I'd just emphasize that is that the way I've lost money, is I've made money with good partners, and then I've...the

most money I've lost is not the deal but kind of the ethics and the background of the partners.

So, that's a little advice is double, double check your partnerships, who the people are, their past track record, and then just invest. Get in the game and watch the game a little bit and understand how it works without a lot of high risks.

Chaz: Love it. People, people, people. A lot of times that's what it all comes down to.

Dave: Yep.

Chaz: Great Dave. Well, again, thanks so much. Wonderful interview.

Dave: It's a real pleasure to have worked over the years with you Chaz. I met you when you were young, and now you're a wonderful young entrepreneur. And I wish you continued success.

Chaz: Thanks so much, Dave. And we'll talk soon.

Dave: OK.

Chaz: Alright. Thanks.