



Real Estate Investing Guide

Savvy Investor



Real Estate Investing Guide "Step-by-Step" and in Plain English

Use this real estate investing guide and you will save years (yes, years!) of wasted effort. The goal of this real estate investing guide is to give you **useful information in a step-by-step process**. Please understand that these are our opinions and are based on actual "real world" experiences with our clients.

Ready? Let's go...

Why Are You Going to Begin Real Estate Investing?

Usually you're so excited at the thought of making "Donald Trump like money" that you may not sit down and actually make it clear **why** you are investing in real estate.

Even "**The Donald**" has his reasons and so should you. And by deciding why you are investing right up front, it will help guide your education and your **decision making**.

- Are you interested in monthly "cash flow"?
- Are you looking for a big pay day after a few months? A few years?
- Are you looking to build an asset base that creates passive income for you while you're sipping cold drinks on the beach?
- Are you looking for "hands off" investing or "active" investing?

All set?

Great stuff, **be sure to keep this in mind** while you go through the rest of the real estate investing guide.

Real Estate Investing Guide Step #1

Education, Get Some!

Now this first step is where most people immediately go off in the wrong direction.

There are HUGE differences in the **types and level** of real estate investing training available.

You really want to work by **referral**. Begin asking people who are successful investors how they started, what real estate education they used, what real estate books they read, what mentors they had.

Ask them this, "**Is anyone DOING any investing who takes the training they are recommending?**". I often see people spend more time talking about investing and more time posting about investing in discussion forums than actually DOING anything.

So when you ask around, look for an **active group** that is actually doing real world investing and not just sitting in a class or banquet hall all day.

ASIDE: Let me make something clear right now...driving to a monthly "real estate investment meeting" once a month does not make you money. You need to get out of your comfort zone and actually do something. Keep reading so that you discover why a SYSTEM is key to your success.

A mistake made by most is asking your neighbour or cousin or father-in-law about investing. Unless one of these people is successfully doing it, be very careful in taking their advice.

Many, MANY, people make the mistake of taking advice from people that have no business in giving it. **Don't let that be you.**

Agreed? Good, let's move on.

"Flipping" is Very Different from "Investing" in Real Estate

When I began my journey there was no real estate investing guide to break down what is now a very simple, **yet incredibly important** concept.

Here it is...

There is a huge difference in Real Estate "**Flipping**" or "Rehabbing" and "**Investing**".

Flipping a house (or Rehabbing a house) like you see on the many A&E TV shows looks exciting, but there are more than a few dangers to this approach.

To "flip" a house you typically need to buy it well below market value. **This can be extremely difficult to do consistently.** Trying to find a property that you can lock up substantially below market value will take a great deal of effort.

You will need to either:

A. Find a realtor willing to make a lot of offers on your behalf.

Also, understand that realtors work with other realtors. It's a network. If they submit 100 **low ball offers** on houses for you they run the risk of upsetting the network that they depend on to make a living. So it can be extremely difficult to have a realtor work with you like this. Impossible? No. Difficult? **Yes!**

OR

B. Write a lot of offers on homes yourself.

Now to do this you really need to get some detailed advice on what clauses to use in your offers and exactly what type of offers to write. You may want to negotiate an "option" on a property instead of buying it outright.

Regardless, before writing **any offer** on a property yourself, you will want to know what "comparable" properties in the area sold for recently. This way you understand the local market.

ASIDE: Real estate is a "local" game. Anyone who believes the media headlines as to whether the entire real estate market is UP or DOWN is a rookie. There are areas of the country where real estate is appreciating in a "perceived" down market. And there are areas where real estate can be losing value, while the majority of the market is increasing in value.

Writing offers on many properties will be necessary to find someone willing to sell you their property for well below market value.

And to make money on a property you must purchase it for **substantially less than market value**. Even if the property is in good condition and requires little or no work, you have expenses that quickly chew up any potential profits.

Things like advertising, real estate commissions (if you use a realtor to sell the property after you buy it), legal costs on closing, **land transfer taxes**, and taxes on your profits will eat into your profits extremely quickly.

A "Deal" is a "Deal" for a Reason, Make Sure You Know What That Reason Is!

Often the real reason you are able to get a house for below market value is because the house is in **below average condition**. Sometimes, well below.

Remember, there's a reason you're getting a "deal".

This isn't necessarily a problem, it could be an **opportunity**, just be aware of it. This obvious point is regularly overlooked.

It is possible to get a home that doesn't need much or any work at all. It just takes a LONG time to track one of those down. See points **A** and **B** above about writing offers.

Flipping Can Create Lumps of Money, Investing Should Create Cash Flow

Typically, you invest for cash flow. Or, if you are not receiving cash flow, you are getting tax incentives, an equity increase or appreciation. **Usually, cash flow is king.**

Now, when you are flipping a house you typically have cash flowing in one direction....out of your hands.

Things like renovations, mortgage payments, **unexpected permits**, delays, advertising and commissions all cost you money. You spend all this money with the hopes of a pay day at the end of it.

I call this "speculation". You are **speculating** that someone will pay you more for your property than you paid for it.

When you are **investing**, you are looking to invest "into demand". There's a huge reason for this.

When you invest into a property that is in demand, you can start having cash flow INTO your hands shortly after (or sometimes even before) you own the property. It's a much more civilized way to deal with Real Estate.

Ask around, you'll uncover stories of people trying to flip real estate who lose the property after dumping tens of thousands into it. Or, if they do manage to sell their flip, the lump of profit at the end is often much less than anticipated.

Please don't misunderstand me. You can make BIG money flipping properties. You just need a BIG bankroll to do it or a partner who has one. The risk when flipping, as opposed to investing, is greater.

Investing in real estate typically means purchasing an income producing asset that is currently or can quickly generate cash flow for you.

There are many opportunities to buy properties and quickly increase the existing cash flow. Or buy properties that have no existing cash flow but are in such demand that they can be quickly turned into income generates with minimal effort. The details of these approaches are outside the scope of this guide. See the email course mentioned at the end of this guide for more detail.

So there you have it. The difference between flipping and investing is **cash flow**....namely, the direction of it!

Personally, flipping a house is like creating a job for yourself. There's a **ton of work** for you to do yourself or manage.

Also, flipping is difficult to reproduce. It can be challenging to systematically find properties that are below value. So you may hit a gem **once** and then go through long periods of time with nothing.

Investing in real estate is creating cash flow for yourself.

And typically, with a good system, you can invest in properties that produce cash flow **regularly and consistently**.

You can make money at both, just go into each knowing the difference.

The differences between flipping and investing are often not covered in detail in various real estate education material.

A collection of cash flow producing real estate investments can create financial independence.

Flipping homes is more like **creating a job for yourself**. If you take the income and invest it into cash flow properties, it can really accelerate the growth of your asset base.

Each has its place, know the difference.

Here's our **Real Estate Investment Guide** Step 1 Summary:

1. Decide what you want from your real estate investing: lump sums of money or constant passive income. This is key in helping you decide which moves to make.
2. Work by referral to uncover local groups of ACTIVE investors. If that group will not train you directly ask them where they went as beginners.
3. Don't get caught up in investment groups that spend all day in training classes or on discussion forums and don't actually DO anything.
4. Learn different real estate strategies and the terminology, e.g. flipping vs. investing.

Real Estate Investing Guide Step #2 Mentors, Find One!

The people around you are critical to your success in anything, not just real estate investing.

If you don't have access to someone who has done or is doing real estate investing **start looking now**.

You will be infinitely better off by having someone that you can bounce ideas off and run your decisions by.

I'll regularly run into people who take some real estate training and then run into the real world without any more guidance. Typically, these people will run into all the **regular roadblocks and won't have anyone to help navigate them**.

A mentor can share stories with you, teach you about structuring deals, teach you about cash flow, steer you clear of mortgage financing issues and save you from yourself.

If you don't have a mentor and can't find one immediately you have a couple of options.

First, read, read, read. Read everything you can about real estate investing. Learn from other people. The authors of a good books can be your "virtual" mentors. For years they were mine.

Start Creating Your Power Team Immediately

Second, start making relationships with a group of people that together make up **your team of experts**. Each person will have some knowledge for you and together they can be a powerful group.

For example, a good mortgage broker who really understands investment mortgages can be a **savior**.

A real estate lawyer who **understands** things like detailed lease agreements may be worth is weight in gold when you are structuring a contract.

An accountant who can **save you money and protect** your wealth is invaluable.

An advertising rep at the local newspaper who can place your ads in the paper quickly can be **worth thousands**.

An good insurance broker can save you hundreds of dollars a year in premiums and provide **maximum liability protection** at the same time.

Together these people can become a very powerful point of leverage for you.

They are your POWER TEAM.

And never have one of any of them. Here's something that WILL occur. One day you will be making an investment and you will hit some sort of snag.

Maybe it's the bank doesn't like the way you structured the offer to purchase or maybe the lawyer doesn't think they can close a deal for you **fast enough**.

When these things happen you need a second choice. You need to be able to **ring up** someone else really quick to verify that what you are hearing is correct.

The Worst Number When Creating Your Team is "One"

Never have one contact, **never**.

Too many people hear "no" from one source and accept it as fact. That's a sure way never to get anything done.

A good mentor or a **team of good professionals** will definitely save you time and most always save you money. It's never too early or too late to start building a team of good contacts.

Be **careful** not to burn these people as well. It's a small world and if you tell someone who has the ability to help you that you are going to do something....do it.

Otherwise, you will quickly fall out of favour with them.

If you are going to be taken seriously then take yourself seriously. **Your word should be law.**

Don't burn bridges.

When people begin to notice that you actually do what you say you will do you are going to stand apart from the crowd. People will be drawn to you.

Let's wrap up this section with a little **tip**.

Instead of taking years to create this powerful team around you find someone that is an active investor and ask them who they use.

Likely, they have spent a long time assembling people they trust. So infiltrate their network if possible. Don't be overly aggressive, just ask permission and then **charge ahead**.

Real Estate Investing Guide Step #3

A System, Use One!

This is by FAR the most important part of real estate investing and it is **by FAR the most overlooked**.

Here's what is very common:

1. You take some real estate training. Or, you buy some books on real estate investing. Or you've **bought a course** on how to invest in real estate.
2. You finish the training/book/course with a bunch of new information on: renovating, flipping, renting, **options**, lease options, assignments, multi-units, commercial investing, cash flow investing, private money lending, **second mortgages**, land development...you get the idea.
3. You run out and **like a madman** start firing in all directions.
4. You begin looking for anything and everything. You start working with anyone and everyone. You call agents, brokers, for sale by owners. Or maybe you **hit the road** and place some advertisements stating that you are looking for homes or that you buy run down properties.
5. You get a few calls. **Some excitement** builds and then with a few weeks it all fades away.
6. You then either forget about real estate investing all together or **limp along** like that for a long time, never getting anywhere.
7. Your friends think they are proven right, the whole real estate investing idea was nuts to begin with.

This approach typically **doesn't yield consistent results**. You may get lucky and get one good deal but it will be difficult to consistently create another one.

Every successful real estate investor has a **system** whether they know it or not.

Don't **fall into the trap** of running around looking for any old property and then sending it over to your mortgage broker to see if you can qualify for it.

You're so eager to buy something, anything, that you don't fully understand what you are **getting yourself into**. You almost don't care.

I know because I see it all the time. Only **AFTER** you purchase the tri-plex is it that you realize the **rents are a "bit" low** and the condition of it really isn't that great.

Then someone moves out of one of the units and you have really **no idea** what you are doing when it comes to advertising and placing a new tenant.

Weeks, even months go by and now your great property is costing you money instead of making you money.

Make sure you discuss **any and all** deals with your mentor or team of experts (see Step #2 above). They will keep you on track.

And remember, make sure the person you use as a mentor is **actually doing** the same type of investments or has done the exact same ones in the past.

A lot of people will take some real estate investing seminars and learn a lot but fail to **put a system in place**.

And the people that taught the seminar are likely gone or not willing to hit the streets with you and implement. Unless you implement what you have learned there is no money to be made.

You need a system.

Let's use an analogy here.

Henry Ford's Assembly Line Was a "System" That Consistently Output a Valuable Product

Imagine you took a course or read a book about tires, engines, metal and leather. You then decide that you are going to make money selling cars.

Unless you have the "system" in place, in this case the assembly line, you will likely **fall hard** trying to pull this off.

Henry Ford got really rich because he had the best system.

Not because he had the best **tires and metal**.

Why is it that people who learn a bit about real estate contracts, a bit about flipping a house, a bit about selling houses often fail?

No system.

You need to have one.

A good system covers everything throughout the entire real estate investing process

There's more to real estate investing than finding a property and locking it up.

How are you going to sell it? **Agent or no agent?** How are you going to advertise it? Where are you going to advertise it?

How many **calls can you expect?** What are you going to say when people do call? This is critical.

How are you going to fix it up? **Contractors**, yourself, your cousin Frank? How are you going to place a tenant in it?

How much can you expect to get in rent? How fast can you get the rent (before your next mortgage payment)? Who is going to handle all the **tenant calls**?

Who is going to handle the small repairs? How are you going to handle property management? How are you going to strategically reduce the amount of calls you get from tenants?

How are you going to extract as much money as possible as fast as possible? Who is going to **prepare you**, in advance, for the unknown costs that **WILL** come up?

Who is going to steer you in the right direction when you begin to stray off course?

A good system **will answer all of these questions for you**. Spraying offers blindly all over the place is just one part of any potential system.

Too many people don't realize this and focus on writing offers without having the big picture in mind.

So now that you know a system is a good thing, **where do you find one?**

Each successful investor will have theirs. They may not refer to it as a "system". It may be "the way they work", or "how they do things". But they have one. Ask for it.

It is the single most important ingredient that is missing from almost all books and all courses.

Many are teaching real estate investors piece meal instead of going on the streets and implementing an actual system.

And that's a wrap.

So remember: education, mentors and systems. When investing for maximum success you'll want all three of these. One of the pieces to the real estate investing puzzle is not enough.

If you'd like more detail on real estate investing feel free to sign up for our weekly newsletter below or if you live in the Greater Toronto Area stop by and visit us at one of our classes...details are below.

And remember...

Real Estate Investing Guide **Step #1**: Education, Get Some!

Real Estate Investing Guide **Step #2**: Mentors, Find One!

Real Estate Investing Guide **Step #3**: A System, Use One!

To your success!



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