

Your Personal Path to Real Estate Success





Introduction

Congratulations on taking this important step on your journey to success as a real estate investor. Whether you're planning on doing this part-time or full-time, and no matter where in the country you're planning to do your investing, we're confident you'll find the process personally and financially rewarding. After all, in the long run, there's no better business in the world than to help provide affordable, livable and comfortable homes. As a real estate investor, you will have a vital role in making that happen.

This book you're holding in your hands is designed to be a living document. We'll be referring to it during this course, and you should be writing your notes and ideas in it. The course will get you started, but this workbook is designed to be much more than a notebook. Once you have it completed in detail, this book is designed to function as your own personal business plan. That is, Your Personal Path to Real Estate Success.

At the end of this course, and with a bit of additional filling in on your own time, this workbook should be a guide to help you focus your daily effort.

Obviously, your strengths, weaknesses, resources and limitations are going to be different from your neighbors. That's why we created a workbook, rather than a textbook. It's up to you to take the information you learn in this workshop and from elsewhere and tailor it to your market, your situation, your personality and your approach to investing.

On a personal note, I want to say thank you so much for participating! I am looking forward to hearing about your successes—so much so that I want to highlight your triumphs in the next edition of this book!

I hope you enjoy the workshop, and I wish you all success in your endeavors, in and out of real estate.

Sincerely,

Justin Giles and the Real Estate Gurus

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SWOT Analysis

Sun Tzu (544-496 B.C.), the great Chinese strategist and military writer, wrote that if you know your enemy and know yourself, you need not fear the results of a hundred battles.

The SWOT analysis is a widely accepted and effective planning and strategy tool used by businesses and executives all over the world.



Everybody has strengths and weaknesses, and every market has both opportunities and threats—or if you prefer, “risks.”

Everybody’s sheet is going to be different—and that’s ok. The more personal and specific yours is, the better.

To get the most value out of your SWOT analysis, sit down with a successful person you know, who knows you very well, and ask them to help you fill it out.

Naturally, this is going to be a living document. Revisit it over time, as you learn more and more about yourself and your market, and as you eliminate weaknesses and develop or discover new strengths.

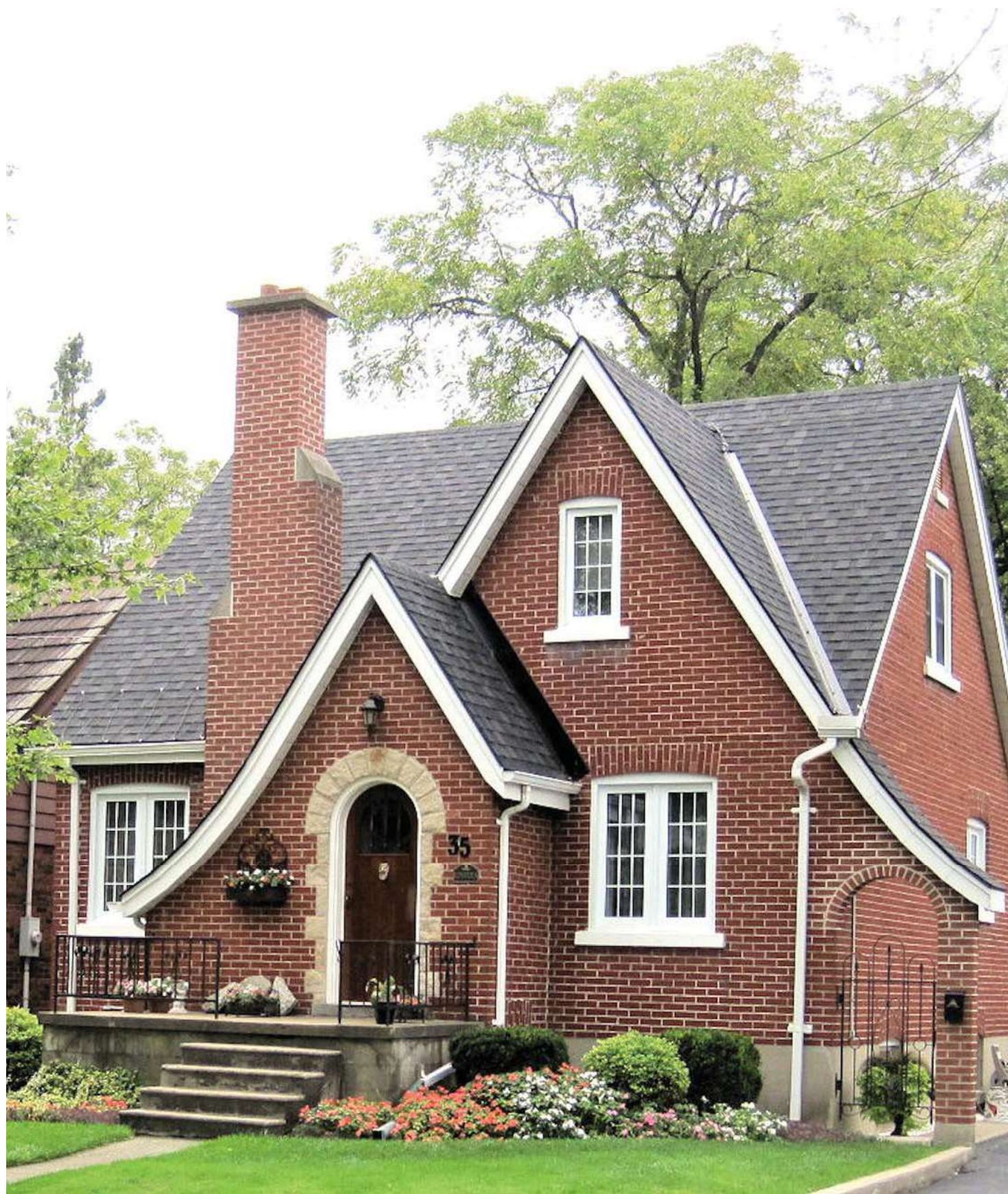
The term “SWOT” stands for the following:

S TRENGTHS

W EAKNESSES

O PPORTUNITIES

T HREATS



Circle of Competence

Everybody has a circle of competence. The things you do the best or the things that you have a very deep, professional-level understanding of are at the center of the circle. The things you are absolutely clueless about belong on the periphery.

A big part of business and investing success is focusing on things that are within your 'circle of competence,' and minimizing your activity, or getting outside help when it comes to items that are outside it.

The items in the center of the circle are also going to be your core competencies.

The things at the center of the circle of competence are the things you want to focus on yourself.

The things that are outside your circle of competence are the things you want to delegate!

One great example: Tax planning. I know just enough about real estate taxation to be dangerous. But my CPA does it every day, all day long – and finds advantages for me I never would have thought of, and keeps me out of trouble at the same time. He earns his fees many times over.



Tax planning is necessary, but it's outside my circle of competence. So I delegate it to the expert – and I build relationships with experts on everything outside my own circle of competence, and they build relationships with me.

The things you are awesome at are the things you can do so well that others will pay you to do them.

Growth opportunities are those fields that you can become awesome at with a little bit – or a lot – of work and/or training. For each item on this list, plug in an action plan to move it into your Awesome circle. That is, read a book enroll in a course, get some mentorship – whatever it is.

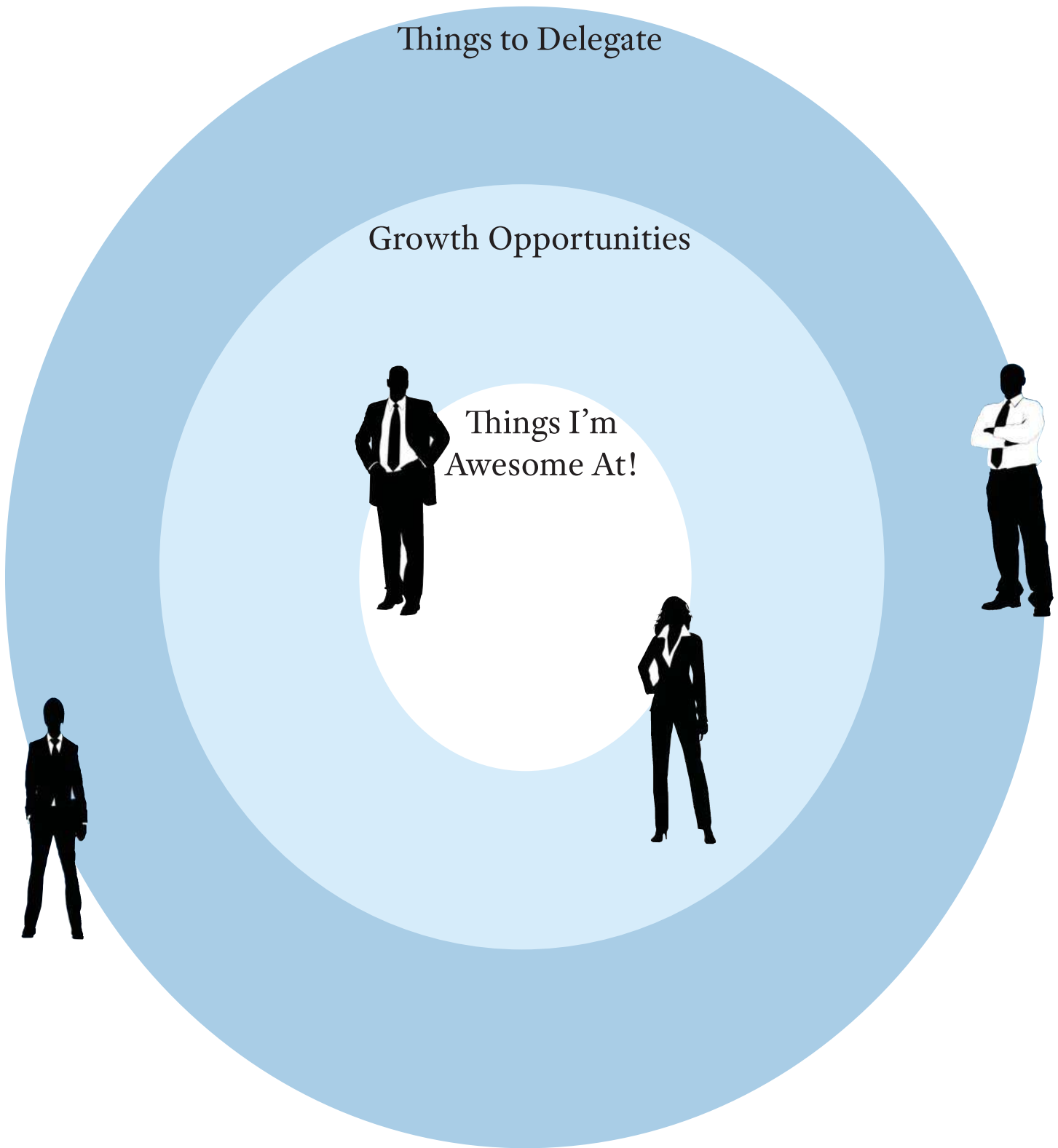
The “Things to Delegate” category will guide your efforts in teambuilding and/or networking. These are your weaknesses where you’re going to need some outside or expert help. The next step is to identify the people you can delegate these tasks or functions!

Starter Ideas

Here are some common real estate investment activities to consider plugging in to wherever they belong on your personal circle of competence.

- | | |
|--|--|
| 1. Organizational skills | 16. Plumbing |
| 2. Writing | 17. Electrical work |
| 3. Marketing | 18. Carpentry |
| 4. Sales | 19. Gardening/landscaping |
| 5. Law/Contract analysis | 20. Computer skills |
| 6. Math | 21. Employment laws |
| 7. Knowledge of finance and mortgages | 22. Interpersonal skills and temperament |
| 8. Property management/landlord-tenant law | 23. Time management |
| 9. Contracting | 24. Prospecting |
| 10. Home repair/remodeling | 25. Deal closing |
| 11. Tax planning | 26. Project management |
| 12. Real estate investment analysis | 27. Foreclosures and Auctions |
| 13. Real estate transactions | 28. Apartments and Multi-family |
| 14. Insurance | 29. Economics and history |
| 15. Financial planning | 30. Neighborhoods |

Things to Avoid



Building Your Team

Take a look at your Circle of Competence. What functions do you have to delegate? Start your team building with these professionals, and work out from there.

Add some community leaders and influence centers as well.

These are respected members of your community who may be willing to introduce you to their networks on a favorable basis. Even more important, these should be experienced, wise and successful people who have maturity and judgment whom you can turn to for advice and encouragement when the chips are down.



Funding

To invest in real estate, you are going to need money. Yes, a few people have gotten started with little or no money down. But the bottom line is this: In a competitive real estate market, you can't have too much liquidity at your disposal. You can borrow it or you can raise it yourself.

The usual rule of thumb with investment properties is you'll want 20-25 percent down, minimum.

In self-directed IRAs you'll need to be able to put down about 35 percent of the purchase price of a home to get non-recourse financing on the rest.

Don't forget, you'll need more than just the down payment!



Where can I raise capital to invest?

Personal Savings _____

Friends and Family _____

Personal loan _____

Partners _____

Bank letter of credit/Personal Loan _____

Home equity loan _____

Cash value from life insurance _____

Credit Cards (*Last resort unless you have a great interest rate!*) _____

“Hard Money” lenders _____

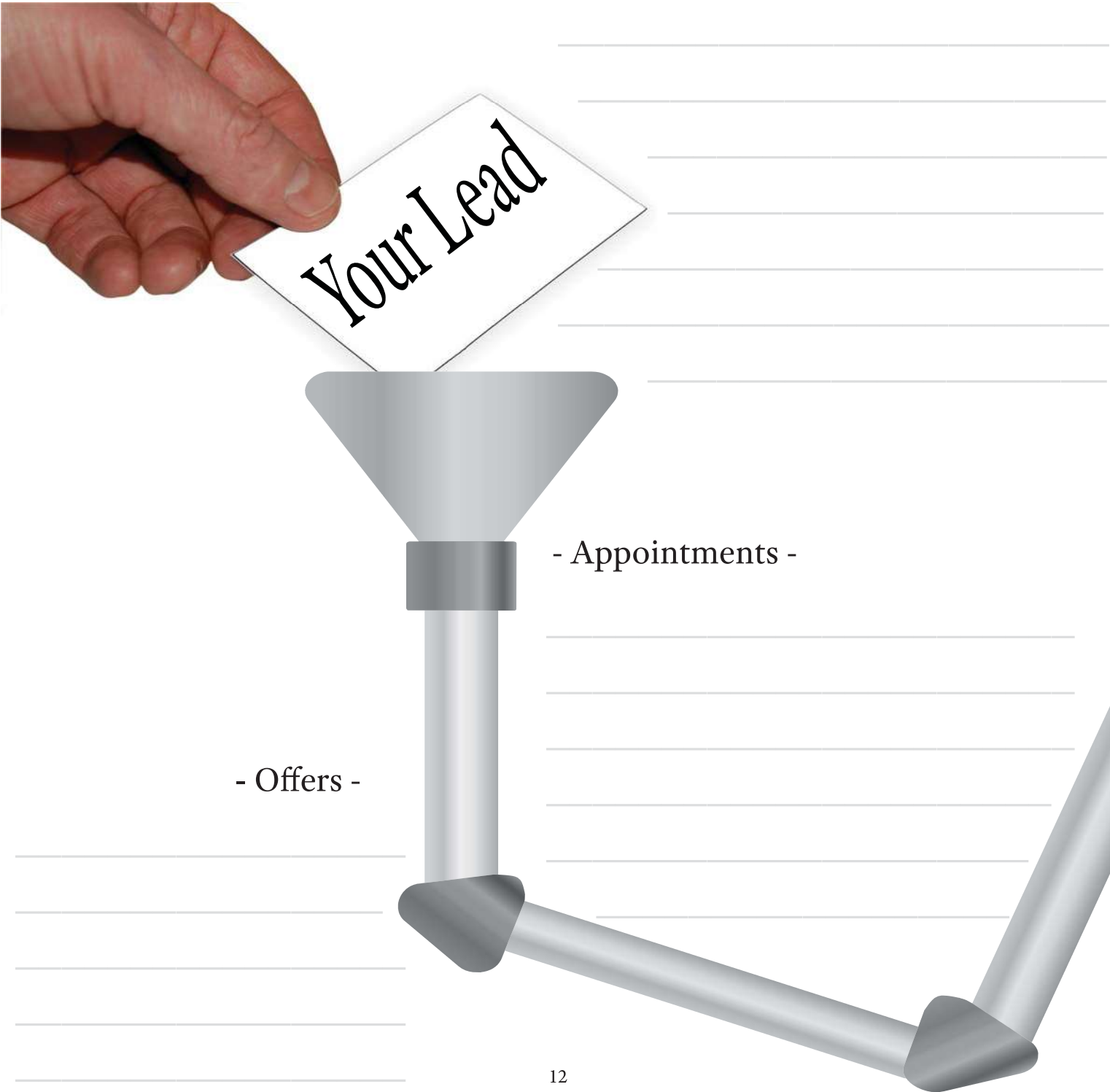
IRAs (For Self-Directed Retirement Accounts) _____

Other _____

My Deal Pipeline

You can't make money without a deal, right? The way to get lots of deals is to initiate a lot of contacts, and then nurse them through the process from the prospect page to proposal to contract to closed and funded – and do that process over and over again.

Fill in your strategies for keeping your pipeline moving throughout each stage of production.



We can replicate this in this notebook, but if you're working a lot, you'll quickly overwhelm the page. So you'll need to build your own system. Some people like to use computers. Others like to have something more tangible, like cards in buckets. It doesn't matter which one you use, as long as you stick with it and you have a system for capturing these names or deal ideas, tracking them, and moving them along to fruition.

If you like computers, you can get specialized sales pipeline management software. But for now, I would suggest simply using an Excel spreadsheet.





My Next Flip

Use this spreadsheet to analyze your next property flipping deal.

Property: _____

Purchase Price: _____

Down Payment: _____

Closing Costs: _____

Initial Investment: _____

Improvements: _____

Sales prices: _____

Closing Costs: _____

Commission @ X %: _____

Net Proceeds: _____

Total Transaction Costs:

Watch this number, as it can kill your project!

Purchase Rate:

Down Payment:

Repairs:

Utilities /mo.:

P & C Insurance:

Property Taxes:

Duration (mo.):

* Check comps
below

CARRYING COSTS:

Financing - purchase: _____

Financing repairs &
down payment: _____

Property taxes: _____

P & C Insurance: _____

Utilities: _____

Carrying Costs: _____

Profit/(Loss): _____

Sales Price Comps:

** If you work with a realtor, he or she should help you obtain the comparable sales data in the area.

My Balance Sheet

Your balance sheet = your net worth. It's a simple calculation: Assets minus liabilities = your net worth. For businesses, it's also called "book value" though businesses have to track equity, which is the business's obligation to owners.

For most single-person flippers, a simple individual balance sheet works fine for the purpose of tracking your success.

Assets: Everything you own.

Liabilities: Everything you owe.

Owners' Equity: Everything your business owes to shareholders.



In theory, both sides should balance out. If assets get bigger than liabilities, you add that to owners' equity. Owners' equity is what's available to you and any partners to take out of the business. Once in a while you'll take cash out of your flipping practice to spend or save. So you'll subtract the asset (cash) and debit owners' equity by a like amount.

Here's how it works:



Example Balance Sheet

Assets (Tangible & Intangible)

- Cash in bank
- Car value
- Car value in life insurance
- Accounts receivable
- Inventory
(can be the value of homes you own.)
- Stocks
- Bonds
- CDs
- Money Markets
- Your good name and reputation
(goodwill)
- Other assets that can be borrowed against
(fixed assets)
- Software
- Computers
- Equipment
- Vehicles
- Other assets that can be liquidated or
borrowed against

Liabilities

- Mortgage balance(s)
- Balance of car loans
- Insurance premiums
- Obligated lease payments
- Other Short term debt
(due 1 year or less: includes personal
loans, credit card, etc.)
- Other Long term debt
(due one year or more out)
- Tax due but not paid
- Accounts payable
- Owners Equity:
 - Contributed capital
 - Retained earnings
(future dividends or capital for reinvestment)

My Balance Sheet

Assets

Liabilities



The Acid Test

CAN I PASS THE ACID TEST?

$$\frac{\text{Cash + liquid or short-term investments + accounts receivable}}{\text{Debt or lease payments coming up}}$$

Be ruthless about tracking this. Failure to monitor your 'acid test' means you are at risk of going out of business as an investor.

If your 'acid test' ratio falls below 1 for the next 30, 60 or 90 days, it's time to get busy!



Resources

American Society of Home Inspectors (www.ashy.com)

National Association of Home Inspectors

Georgia Association of Home Inspectors (www.gahi.com)

Appraisal Institute (www.appraisalinstitute.org)

Georgia Real Estate Commission (<http://www.grec.state.ga.us>)

Georgia Department of Banking & Finance (www.gbf.georgia.gov)

Georgia Real Estate InfoBase (<https://www.grec.state.ga.us/infobase/infobase.html>)

HouseLogic.com

HomeGain.com

National Association of REALTORS® (www.realtor.org)

National Association of the Remodeling Industry (www.nari.org)

Real Estate Today Radio (retradio.com)

Realtor.org

Realty Times

RealtyTrac.com

Real Estate Investor Magazine (personalrealestateinvestormag.com)

BiggerPockets.com

Rules for Flipping Success

1. Be ethical.
2. Make money when you buy, not when you sell.
3. Buy at a discount to the intrinsic value.
4. Be picky.
5. Stay within your circle of competence.
6. Keep it simple.
7. Get a good tax pro, and take advantage of tax deductions, credits.
8. Maintain a sound balance sheet.
9. The unexpected happens. Keep some liquid savings in reserve.
10. Be a great singles hitter. You don't have to swing for the fences on every pitch. Make 5 percent ROI on the same cash investment four times a year and you have made 20 percent.



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