

chapter 1

getting started right

The individual who wants to reach the top in business must appreciate the might of the force of habit—and must understand that practices are what create habits. He must be quick to break those habits that can break him—and faster to adopt those practices that will become the habits that help him achieve the success he desires.

—J. Paul Getty

When I started in real estate, I thought there was only one way to buy real estate: Borrow money, buy property, put my name on the title, rent it, put up with tenants, have the tenants pay off the mortgage and other costs, and make money over time. With luck, I would make money every month.

Then I learned how to wholesale property, fix it up and sell it, or lease-option it. I also learned that I did not have to use my own money or credit to acquire property. Most people, including myself sometimes, have no hands-on experience in the subject matter about which they are giving advice. You should seek advice only from experts. Even my mother would say, “Robert, this no-money-down stuff, I don’t buy it; I don’t believe it can be true.” Still, to this day, every time I go to my mother’s house for dinner, she says, “Robert, I’ve seen you on TV and have looked at your books in the stores. Why do you keep telling people they can buy property without using their own money or credit? Stop it!” She still will not believe me. She’s an expert at being a mom, but she has

**Robert's
Success Tip**

Who do you take advice from? (1) People who have no actual knowledge or experience on the subject matter? (2) Those who have tried and failed? Or (3) subject-matter experts with years of demonstrable experience who have successful track records? You decide who your advisors/mentors will be. Hopefully, they will come from category 3.

not done any real estate investing. But it's true: For the last 400 properties that I have bought, sold, and made money on, I have not used one penny of my own money or one point of my own credit. You will learn many ways to do that, too.

The concepts and systems I present here work for everything: houses, duplexes, land, commercial buildings, apartment buildings, trailer parks, development conversion projects; small properties, big ones, cheap ones, and expensive ones. There is no difference

between a \$1 million property and a \$100,000 property; the process and paperwork for buying and selling them are exactly the same.

As a full-time real estate investor, I have bought or sold approximately 700 properties in the last five or six years. At one time, I had more than 300 tenants, living in properties I owned and managed for years. Today, I still own and manage more than 150 rental properties. I constantly buy, flip, lease-option, develop, rehab, and broker properties.

I decided that working at a job for 50 years and waiting for retirement was not for me. I recently purchased a beautiful penthouse condo in South Beach, Florida, and now I get to live where many people only vacation. I am now wholesaling expensive properties there, and am active as well in Los Angeles, California, Las Vegas, Nevada, and in Costa Rica and Latin America. Once you learn the concepts and systems—the how-to's—you, too, can go anywhere. My students have demonstrated that the concepts and systems in this book work in even the most expensive real estate markets in the world: Manhattan and San Francisco. They will work in your town—or 25 miles up the road.

HOW ONE MAN CHANGED MY MIND— AND MY LIFE

I am from Nashville, Tennessee, a gathering place where talented people go to make it big. Sometimes one becomes an “overnight success,” as did

Garth Brooks, my neighbor for five years—but only after getting kicked out of every record company, and singing and playing guitar on street corners for 12 years. I’ve experienced that kind of overnight success, too.

Approximately 12 years ago, I did not know a thing about real estate and did not want to. I was a financial consultant working for a New York financial planning firm. Our high-net-worth clients had to have between \$3 and \$10 million just to qualify to invest with us. Again, I had no interest in real estate and no desire to get involved in it. That is, until one day, when I was sent by my firm to visit an older couple living in a small town outside Nashville.

Upon my arrival, I was shocked. I noticed a beat-up pickup truck parked outside a dumpy old office. Reluctantly, I got out of my car and knocked on the front door. An elderly gentleman greeted me warmly. I noticed that he and his wife did not have computers; nor did they understand advanced finance—they did not even know what a term like “return on investment” meant. “Obviously, you are not qualified to work with my firm,” I said as I stood up to leave. The old gentlemen replied, “Come over here, Sonny.” He picked up a large, worn accounting book, paused, then said, “When I was working about 25 years ago and making hardly any money, I started buying little houses without using any of my own money. I’d fix them up, rent them, and sell them.” He then opened his book, the kind with old ledger sheets and lines crisscrossing the pages. He kept (and still does) all of his own records using just that book and a pencil. I learned he owned 125 houses, all paid for. He then showed me he had a \$65,000 monthly net income, after all expenses. He explained that he and his wife go on vacation for six months every year. Then he looked me in the eye and sternly asked, “Robert, how’s your job?”

Suddenly, young cocky Robert became very interested in this man’s profession: real estate. In the back of my mind, I thought, “If this 80-year-old guy can do it, I’ve got a chance! If I did only one-tenth of what he did, I would be better off than I am now.” I also found out this man still picks up rent checks every month and closes more deals. He certainly does not have to. But for him, real estate is fun.

QUICK TO PLAN, SLOW TO ACT

Needless to say, my interest was piqued. I followed him around for several months during this time. I interviewed 200 investors and some 300

tenants. I put together a big plan for my real estate business. And guess what I did with the plan for several months afterward? Nothing! As the expression goes, “I was thinkin’ about it. I was a fixin’ to do somethin.” That went on for about eight months. During that time, I looked at about

150 properties. Of those, at least 50 were great deals, but I did not understand wholesaling and lease optioning. I had no system, no mentor. I was scared and so took no action. Because of fear and ignorance, I let millions in real estate profits pass me by.



**robert's
success tip**

When has fear ever served you? Write down what you're scared of, and why, then write down actions you can implement to face and conquer your fear.

Finally, I did make an offer on a duplex, and it was accepted. But that scared me, too. How would I close on it? I borrowed money and

bought that duplex. At that time, my written plan was to buy 12 duplexes and retire. I figured each one would draw from \$300 to \$500 a month in cash flow, which I could live on. It was that old couple's success that got me started.

TAKING ACTION: ONE DUPLEX TURNS INTO A DOZEN

Because I have a form of dyslexia, I struggle doing many of the things that come easily for others, and that some people take for granted. For example, I cannot follow simple directions to put together a four-year-old's toy. I am unable to read maps. Certain mathematical things I cannot do. And even though I have rehabbed at least 500 houses, I know *absolutely nothing* about construction or repairs. When contractors talk about roof trusses, drywall, and wires, it is as if they were speaking Chinese or Greek. Their language simply makes no sense in my brain.

I tell you this so you'll understand when I say that after closing on my first duplex, I became hopelessly lost trying to find my duplex. For a day and a half, I drove around Hermitage, Tennessee, looking for it. They all looked the same. In frustration, I finally called the broker and asked, “I can't find the property I just closed on. Where is it?” I was so embarrassed. He came to meet me and drove me to it.

Fortunately, after getting help, I did find my first duplex, and rented it out. Then I bought 12 more duplexes. After a year and a half, I quit my job and retired. For a year, I did not do anything, because I had approximately \$4,000 to \$5,000 of tax-free money coming in every month. Then I thought, “Gee, if it works with 12 duplexes, it has to work with 20 or 25; and if it works with 25, it should work with 50; and if it works with 50, it has to work with 100, 200, and 300 properties. (Now I do have help: one person who helps me manage all of my properties, and a part-time secretary.)



**robert's
system tip**

Instead of learning one way to make money in real estate, learn all of them. You may not use them all, but you'll be able to pick a few from among them to get started.

WHY REAL ESTATE INVESTING

Maybe you want to buy your own home and learn how to save thousands of dollars on the transaction. Maybe you realize there is no job security in the United States—what with layoffs, downsizing, reengineering, and forced early retirements—so you want to run your own business. Even if you have a great job and things are going well, even if you are wealthy and successful, I challenge you to begin investing in real estate.

Think about it: You live somewhere right now. If you pay rent, you are probably making someone else wealthy. You are contributing to that person's investments and security, not yours. You pay your rent on time and thank your landlord, but at the end of the year, you have nothing to show for it except 12 canceled checks. If you own a home, you are already a real estate investor. You probably know somebody—a friend, a relative, a coworker, a grandparent, an uncle or an aunt—who has made a lot of money in real estate, often by accident. Most people spend 40 to 50 hours a week stressed out, working to make \$40,000 a year, and then, with one real estate deal, they make \$40,000 almost by accident in a short amount of time.

“Will you be successful as a real estate investor?” Yes, you will if you possess the following three components, which combine into a formula for success:

1. Belief and desire
2. Basic knowledge and information
3. Persistent action

This book can give you all of the basic information that you need to get started. Make this book the catalyst to get you started the right way and to find within yourself the desire to succeed. I hope this book encourages you to start taking persistent actions toward becoming a real estate investor with various sources of income.

To further motivate you, in Chapter 2 I explain why real estate investing is one of the best wealth builders in the universe.