

CONFIDENTIAL

Real Estate Investing The Strategies and Tactics

By Dave Schneider

It's all about the Money.....

Money, It's a sensitive subject. It appears to be the one thing that is hard to master. We all have our own way to make, spend, invest and manage it. Some of us are very good at it; most are not.



When it comes to investing our money, there are many schools of thought and many will follow whatever seems to be the next latest craze. Over the last few years, it was real estate. More and more people moved their money into real estate than ever before.

People bought bigger houses, second homes and even became landlords for the first time. People borrowed against their equities to purchase nicer cars, payoff debt, get new furniture and a host of other reasons. Real estate companies and mortgage companies loved it. More sales and higher prices put more commissions in to their pockets. Everybody seemed to be talking about it and everybody seemed to be making (and spending) money.

Until now....

So, what happened?

There are, of course, many things that happened, but I want to address what happened to the investment side of the real estate business.

The first thing that happened is that many buyers of investment real estate became speculators and not true investors. They thought that the values of their real estate would keep going up. They didn't look at the numbers and what was going on in the market. They thought that the rents and expenses would not change all that much and they weren't prepared if they did. They didn't think long term and didn't have a plan.

The second thing is that interest rates were at all time lows and lenders became so flexible that just about anyone could get a loan to buy real estate. Renters became fewer and fewer because many decided it was time to go out and buy a home. If there are fewer

renters, that means that there are more vacancies and more vacancies means that rents eventually have to be lowered to attract new renters.

The third thing is that real estate ownership expenses have and continue to go up. Taxes, insurance and energy costs to name a few. Just in the last few days I received my estimated tax statement for one of my apartment buildings. The estimated tax increase on that building alone is a whopping 38% increase and the bad news is that the rents on that building haven't been increased in over two years. If this is happening to me, it's happening to a lot of landlords.



Ok, So here's what we have. We have more landlords that are new and don't really know what they are doing. Many of them paid way too much for the real estate. We have fewer renters and rents are going down. We have more expenses and less cash flow and in many cases negative cash flow. More and more people are now forced to sell because they no longer can afford it. They are trying to sell for at least the same price or higher than what they bought it for, but nobody is buying. They are going to have to lower their price to sell it or many will just stop paying and the lender will foreclose the property.

The News Is Bad And I'm Excited!

This is all the bad news that you are now seeing in the news. Yes, it bad and I'm excited! Here's why I'm excited and what I think you and I should do.

I'm excited because I seen a market similar to this before. It was back in late 80's to early 90's. It was right after the 1986 tax reform act. This was a time when many investors in real estate lost their tax incentives for buying real estate. I'm not going to go into the details here, but the bottom line was that investment real estate values were going down, foreclosures were up and the buzz was that real estate was bad. A lot of speculators in real estate lost a lot of money.

However, this was also a time where smart investors made millions because they knew that the time to buy is when the news is bad and sellers are having a hard time selling.

I think we are at that time again, and if you are willing to be smart about it, and are willing to plan and do your due diligence, I believe you can and will make millions.

Of course I can't promise that, but I can give you some ideas, strategies and tactics that I think you should do.

OK, So What Should You Do?

Before I tell you what to do, let me start off by addressing some of the major concerns that I heard about from many of the people who have attended one of my real estate investment classes or have subscribe to my website. I have tried to sum up all of the concerns that I have heard into a few major ones. I listed them below.

1. How do I create a specific plan that doesn't take a lot of time and/or money and still builds my wealth and cash flow?
2. What type of real estate should I invest in and how do I get to the next level?
3. How do I find good investments that create cash flow?
4. How do I finance the investments (and qualify for financing)?
Or in other words -Where do I get the money for big or small properties?
5. Can I really buy for NO MONEY DOWN and is it smart?
6. How do I find and keep good renters and manage the property without all the headaches?
7. I don't have a lot of cash flow- what happens if I can't get it rented?
8. How should I take ownership (LLC, corporation, personal, etc.)?
9. I'm afraid because of lack of money, cash flow, knowledge and having to deal with tenants?
10. How do I get started? What should I do first, second and so on?

Special Note Of Appreciation: All of these concerns and questions came from many of you and I want to sincerely thank you for sharing with me your concerns. I have received hundreds of emails about these concerns. When I started I have had many of the exact same concerns and I hope this report will give you some insight and solutions to help you move forward.

Now that I given you some ideas of the major concerns, let's look at what you should do.

It All Starts With A Strategy and A Specific Plan

It was 1979. I had very little money. I was looking for a way to make more money and build personal wealth. I had no plan or strategy, but I wanted one. I was, like many people seeking a way to get-rich-quick. I tried and did a lot of things that just didn't work out.

However, in my quest to find the answers, I observed something very simple. The people that I knew personally that were, what I considered, wealthy did it in one of two ways. They had some type business that they owned that made them money without them doing all the work or they owed real estate. I didn't know anyone who got rich in the stock market or working for someone else (not to say that that isn't possible).

All I did and.... I'm telling you to do the same.... is to observe someone else's plan that is working and copy it. I'm telling you... this is all you really need to do!

Here is what I believe is a key strategy to your success. You must have a plan to buy or create income-producing assets (mostly income producing real estate or an income-producing business). To do this, you will have to invest your time, money or both.

It's true, most people don't have any plan of what to do with the money they earn and because of that... they struggle. Don't let this happen to you.

As part of your plan, you should consider investing in real estate for one simple reason. It is an investment vehicle that is proven to build wealth and it is relatively easy for someone with very little money to get started.

So let's get started by creating a specific plan using investment real estate. This is your first step. At this point don't worry about the how, let's just create an easy and logical plan.

Let me start by saying that the goal of your plan should not just be money. It should be about your lifestyle. Yes, we will use money as our measuring tool, but the bottom line really is about having the freedom to do the things you want to do and to do them when you want to do them with the people you want to do them with. I think this is the real goal and yes, in our society that takes money.

There is a planning worksheet that is included at the end of this report for you to create your own plan, but for now let's look at how a basic plan works.



Let me give you an idea of a very basic real estate investment plan to make \$100,000 to \$150,000 a year. *(In order to do this you may need to own free and clear of any loans up to two million dollars of real estate.)*

Here are the steps to this basic plan:

Step #1 – You’ll need to borrow two million dollars *(not all at once)*.

Step #2 – You’ll need to use the borrowed money in Step #1 and buy good quality real estate that can be rented out.

Step #3 = You’ll need to find people who will be willing to pay you rent that you will use to pay off the loans.

At the end of some period of time, you will have millions in real estate that is paid for (by somebody else) and is still rented out. You can use some of the income to hire people to do all the work that you don’t want to do like managing tenants and fixing things. Once these properties are paid for, it should give you an annual income of \$100,000 to \$150,000 or more.

This is a basic plan. Pretty simple.... huh? Well, not quite.

You now have to look at each specific step in your plan and make a deadline for completion. Your steps need to be broken down into daily, weekly or monthly action steps with deadlines. And then you need to take action!

Some things in your plan you may not have the know-how to do, so you will have to either go out and get it or hire some else to do it for you. For an example you may be looking at buying a large building that require a large loan. In order to get the loan you should prepare a professional loan package for the lender that shows the lender your projections on the building and how you are going to pay back the lender. In other words, you need to learn that borrowing money is a game and there are ways to impress the lender so much that there is no way they should ever say no to your loan request.

In this planning process, you should be asking yourself questions like:

- What do I need to learn?
- How can I do this or that?
- If I don’t know how, who does?
- If I don’t have something that I need, who does?
- What is the worst that could happen and what would I do if it happened?
- Has somebody else ever had this problem?
- What do I do if somebody says no, or I can’t?
- What actions steps should I take?
- How can I only do the things I want?

- How am I going to keep track of my progress?
- Who do I need to know?
- What type of properties do I want to buy?
- How many properties do I need to evaluate to buy one property?
- How many offers do I need to make?
- How much time am I willing to spend?

You should be able to tell by now, that the planning process is really a thinking process. It is not a one-time process. You will change as you start to grow your wealth and your life changes. It is important to review, measure, evaluate and modify your plan as you go. This is the biggest part to ensure your success.

If you were to go back to list of all the concerns that most people have when it comes to investing in real estate, most of these concerns could be easily reduced or eliminated in the process of planning.

For example one of the concerns that I heard about repeatedly was how do you find tenants? Well, think about it. Aren't there many, many ways to find tenants if you really wanted to?

You could advertise, put up a for rent sign, put a flyer together and put them up on bulletin boards, offer existing tenants a incentive to refer their friends, place flyers up at a real estate offices, create a renters website, keep a list of past renters that applied but you didn't rent to, have other landlords refer renters, rent with an option-to-buy, offer a home-buyer program, contact government housing departments, etc. I'll bet that if you thought about it you could come up with hundreds of ways to attract renters. The problem isn't finding renters; the problem is not taking a little time to create a plan to find renters and doing it.

Ok, It's Now Time To Create A Strategy and Address The Major Concerns

The strategy is simple. You should become an expert at buying or creating income-producing assets..... period. The bottom line is WE ALL NEED INCOME and WE NEED TO LEARN how to get it or create it without doing a lot of work!

The bad news is that real estate is getting harder and harder to sell, but you should only care about this if you are selling. The good news is that you should be buying because real estate is one of the best income-producing assets and as times change, and they will, you will be able to either sell for huge profits (if you want to) or continue to produce more and more income as the rents go up (and they will).

I'm telling you.... NOW is the time to go out and buy from sellers who are serious about selling!

So what's stopping you? It's the way you think and your concerns. So let's attack the major concerns one-by-one and see if it still makes sense to invest in real estate.

>>> Concern Number 1 – How do I create a specific plan?

>>> Answer- I've already addressed this in this report and have included a worksheet at the end of this report to help you get started. If you still don't understand, READ THIS REPORT AGAIN!

>>> Concern Number 2 – What type of real estate should I invest in and how do I get to the next level?

>>> Answer- Of course my answer is, it depends. Every type of real estate has its pluses and minuses.

I usually tell new investors to start small buy buying either starter single-family homes or duplexes. Why, because they are easy to buy, easy to rent, easy to manage, easy to finance and easy to sell if you do buy wrong. The disadvantage is they don't produce a lot of cash flow today. You may have to wait for years before you see a lot of cash flow profit.

If you want more cash flow you will want to buy bigger or more units. The problem is that they are harder to evaluate, harder to finance (sometimes), harder to manage, requires more reserves for larger expenses and are harder to sell if you buy wrong. It is worth it if the cash flow is large enough because you can hire others to do everything that you don't want to do. In my opinion this is the next step after you understand the basics. And the basics are generally learned by buying smaller properties. Even in the game of Monopoly, you can't buy a red hotel until your have four green houses.

The third type is, of course, commercial real estate. This can be great because the cash flow is great, the tenants in many cases pay most if not all the expenses and you generally don't have the hassles of property management like you do with residential. The problem is again they are harder to evaluate, harder to finance, harder to find tenants and if the economy changes you could end up with an empty building.

No matter what type of property you decide to invest in, the game is still the same. The only difference is the way you evaluate the property. In commercial you must evaluate the tenants businesses, the economy and the competition. You will have to learn more about leasing and financing.

Whatever level you choose is more of a decision process than anything else. It may require you to learn more and get better at evaluating properties.

>>> **Concern Number 3** – How do I find good investments?

>>> **Answer** – First, you better be able to determine what a good investment is. That means you better be able to look at the numbers and *KNOW* what a good investment verses a bad investment property is. This goes back to knowing how to evaluate the numbers and knowing what you want.

Once you know this, it comes down to looking at a lot of properties. Where do you find these? They are all over the place. You could look in the newspaper, look at the real estate MLS system, advertise, you could look at the foreclosures listing in the legal newspapers, you could put up flyers, you could use the Internet, you could let other real estate agents know that you are looking and serious about buying or you could call for rent ads and ask if any of the landlords would be interested in selling. If you want you can create a marketing campaign and get motivated sellers to call you. There are lots and lots of ways, you just have to start thinking about it and get creative. By the way, you only have to find a couple properties a year to successful and you have a whole year to do it!

>>> **Concern Number 4** – How do I finance the investments (and qualify)?

>>> **Answer** – Getting the financing seems to be one of the biggest problems that most real estate investors have. Why? It's because lenders have rules and guidelines that don't always fit what we are trying to do. It's also because lenders keep changing their rules and requirements. But, remember this, lenders MUST lend money to somebody or they are out of business!

So, how do we attack this problem?

Here is what I do. One of the first things that I do is find out what lenders want and what they require. I do this by taking a few hours or more and call a bunch of different lenders (banks, mortgage companies, mortgage brokers, private lenders) and ask them questions about the loan programs that they have available for investment properties. To find these lenders you could look in the phone book or in the newspaper (most papers have a real estate section for lenders and individuals who lend money).



I approach this by telling the lenders that I'm in the process of purchasing some investment properties (or more investment properties if you already own some) and would like to know what programs that they have available and what are the requirements to get the loan.

Notice, that I'm not giving them a lot of information about me. I don't let them run my credit, I don't give them my social security number and I don't provide them any financial information at this time. I'm just trying to gather data of what loan programs are available and what I have to do to make them fit what I'm trying to do. This step is time consuming because you will be playing phone tag with many lenders and sometimes it takes several days to get the information.

Don't get frustrated by what some of the lenders will tell you. Some will say that you must have 20% or more down and that your credit score has to be above 750. Some will tell you flat out that you can't get a loan. You'll learn that some loan officers don't really know all their rules or programs and on the other hand you'll learn that some loan officers are very creative and will tell exactly what you need to do to get a loan. Some of them will tell you their *hidden rules* and help you fit their qualifications. Just keep calling and gather information.

What happens if you do this and nothing seems to fit what you're trying to do, is there another way to get the financing?

Of course, one way is to try to get the seller to do seller financing (Contract for Deed, Land Contract, Private Mortgage or Deed or Trust). You might be wondering who would do that? My answer is... a lot of sellers will do that if they are having a hard time selling and I'm telling you in the next few years more and more sellers will be doing this. The nice thing about this is you can determine the down payment, the interest rate and the terms because it is all negotiated between you and the seller.

If all else fails, there is another way. You could advertise that you are looking for a loan and that you are willing to pay a certain amount of interest secured by a nice piece of real estate. As long as you make the rate of interest that you are offering more attractive than what banks are paying you will get calls.

My last comment about this is that if you are having trouble getting a loan you should really look at yourself first. Most lenders are not dumb. They are not going to lend money to someone who doesn't appear to have the ability to pay it back. So if you have a history of not paying your bills and you don't have any money saved at all, you better get your act together before you try to borrow money. Only a really stupid (or generous) person or lender would lend money to someone who can't show that they can pay it back.

You should learn that first impressions in the lending business do count and you have to learn how to impress them. The way you do this is you create an easy to understand loan package and proposal that you submit to the lender in the application process. It includes a professional financial statement of your assets, liabilities, cash flow and debts. It shows the lender exactly how you plan on paying their money back. It shows the lender that you are somebody who understands how to use money to make more money. This is exactly the type of person that a lender wants to lend money to.

>>> **Concern Number 5** - Can I really buy for NO MONEY DOWN and is it smart?

>>> **Answer** – Yes, of course you can. Is it smart depends on the property and why you want to buy for no money down.



If you want to buy for no money down because you have no money, you better first look at yourself and ask why you have no money. I am telling you this because if you have no money now, buying investment properties doesn't necessarily solve your problem of having no money. You must learn to save money and accumulate assets. Building wealth is learning to save or accumulate money or assets so that you can get the money or assets to work for you verses you working for the money.

One of the reasons that the no money option is so attractive to most people is because they have no money. That's why the number one real estate investment book of all time was called "*No Money Down by Robert Allen*". The book should have been called "*How To Make a Down Payment Without Using Any Of Your Money Today*"

No money down really is about learning to leverage the money and assets of you and other people. This is OK, if the numbers make sense and you have plans for those little financial surprises (furnace breaks, higher water bill, etc.). When you are in the growth process of acquiring more real estate, you can maximize the amount of real estate that you buy by using your other assets and buying for no money down but you should only have to do this for a short while. Why? Because after a few years, if you plan for it, you will have enough money that you will be able to buy with money down and it is much easy to buy when you have money to put down.

The game is not about how can you buy for no money down. The game is to learn how to finance properties that make financial sense by using your assets or others.

To prove my point, here's a deal for you if you really want to buy for no money down. I have a property I'll sell you for the price of \$250,000. Instead of money, I'll take your late model car (2006 or newer) that has no loans on it, I'll take all your furniture that is in good condition that I could sell and I'll take a promissory note that will be secured by your primary home for \$20,000 with interest of 20% and payments of \$2,000 a month until paid and the balance of the price will be paid to me at \$1,929.94 per month for the next 50 years with interest rate of 10 %.



It's a great no money down deal, isn't it? No, it a joke, but it should prove an important point. Just because *YOU CAN* buy for no money down doesn't mean that you should. It is all about what makes financial sense.

>>> **Concern Number 6** - How do I find and keep good renters and manage the property without all the headaches?

>>> **Answer** - This is a big question with a short answer. Tenants are everywhere. Depending on the state and area, 30 to 40% of the people are renters. There are plenty of renters out there and you need to attract them to your properties. This is all about doing more than your competitors. Most landlords just advertise to find renters and if nobody calls they don't do anything else. That's why they have empty units. There are many way to attract a renter but I'm just going to give you one very simply idea that works. Let's say that you are looking for a renter to rent a single-family house. You advertised and had very few calls. What do you do next? How about this. You put together a flyer about the property. It has pictures and descriptions and has a heading across the top of the flyer that says this:



“How Would You Like To Rent This Beautiful 3 Bedroom, 2 Bath House Where You Can Have A Pet For Approximately The Same Price That Your Paying For Your Apartment?”

Don't you think you would find a renter? And what did it cost you? A little postage!

As far as keeping the landlord's headaches to a minimum, you should set up a management system or if you don't want to take the time to do this, hire a management company to take care of everything that you don't want to do.

Will this kill your cash flow? It may. You have to plan all of this when you buy and look at the numbers. In fact, in a soft rental market you should run several different numbers. You should run numbers for a best-case scenario and a worst-case scenario. It should make sense in the worst-case.

>>> **Concern Number 7** - I don't have a lot of cash flow- what happens if I can't get it rented?

>>> **Answer** – You will get it rented if you really want to. Go back to my answer in Concern Number 6.

But what happens if you can't get it rented?

In a worst- case scenario how long do you think is would not be rented? 1 month, 3 months? 6 months?

Lets use 6 months.

First, you better have planned to have a reserve of money to make the payments for those six months, however keep in mind that the interest potion of the payment is tax deductible. This means that if you are in a 35% tax bracket, 35% of your interest

portion of the payment is saved in taxes. This means that the Government is really helping you pay part of that payment. I know this isn't a total solution, but I want you to look at a different way. If you only rented for six months, doesn't it really mean that you got somebody else to pay for half of the rental for that year? And let's be real, the property is not going to be empty 6 months every year unless you are a real idiot and don't take any action to find a renter. If that is you, don't invest in real estate.

>>> Concern Number 8 - How should I take ownership (LLC, corporation, personal, etc.)?

>>> Answer – I have to give you my disclaimer first. I'm not an attorney so you should be talking to an attorney on this one. I'm an investor who telling you what I think and this is not to be considered any type of legal advice.



Here are my thoughts on this one. When you first start out I don't think you should worry about this yet. Just get going and buy in your own personal name. You can always move the ownership to an entity later on. The reason I say this is because it is harder to buy and finance in the name of a LLC or Corporation when you first start out. Plus there is a paperwork requirement of each entity that must be met and to me the paperwork is a hassle in the beginning.

The major reason that you may want to eventually move the ownership to a Corporation or LLC is for liability protection of your own personal assets. This becomes a concern is you have a lot of assets. There are many strategies to protect those assets. One simple strategy is to buy a large umbrella insurance policy that would cover you for liability up to a few millions dollars. You can purchase these types of policies for a few hundred dollars. Along with this strategy I would tell you to run your investment real estate like a professional and take care of your properties so that tenants don't have any reason to sue you.

Don't get me wrong; I'm not saying that you shouldn't create entities to protect yourself. What I'm saying is that you should be looking at all your option before you decide if creating an entity is right for you. This is where you should be talking to an attorney.

>>> Concern Number 9 - I'm afraid because of lack of money, cash flow, knowledge and having to deal with tenants?

>>> Answer – All of the fears come from not knowing what to expect and how to handle something you never done before.

One of the ways that I use to get through some of my fears is to look at it from the worst-case scenario. I ask myself if something happens could I handle it and what would I do. If I don't know the answer I say



to myself, “*somebody else has probably had this same problem*”. I need to ask them what they did to solve it.

The simply solution to most of the issues and concerns that some of you have is to find somebody else who has already experienced the issues or concerns. Learn from them until you feel comfortable about the issues. That’s why I wrote this report in the first place. I’m trying to help you learn from my experiences (both good and bad).

Oh, by the way, I’m not that smart. I just made a decision many years ago that I was going to create some wealth in my life so I could do the things I like to do. I learned by observing others and then following what they did. I believe that if you do that and take action, you really can’t fail.

>>> **Concern Number 10** - How do I get started? What should I do first, second and so on?

>>> **Answer** – To get started, here’s what you should do. Start by making a decision that this is something you really want to do. I say that because for many of you, it’s not for you. You don’t have what it takes to be successful.

I’m sorry to be so blunt, but it’s the truth. Some of you are dreamers. You have great intentions, but you never take the action. Your life is full of excuses. We all have reasons why we do or don’t do certain things. I call this “*The Story We Say To Ourselves*”. Some of the stories you say to yourself are a pathetic bunch of excuses.

So I ask you....What is “*The Story You Say To Yourself*”? Think about it for a moment. If you don’t like the story, then you need to make a decision to change your story...it’s that simple.

One you decide that it’s for you, start by taking action now. Make a step-by-step plan, talk to lenders, learn how to analyze properties and then analyze properties, start to make offers, seek out others who have done it before you and ask questions. Learn and do...learn more and do more ...and keep at it. Before you know it, you’ll see the results.

Now Is The Best Time To Get Going

I don’t have a crystal ball, but let me tell what I see anyway. I think the real estate market is going to be softer (normal) for a while (years). I think it is going to make it harder and harder to sell properties unless sellers lower the asking price and become more flexible with financing options. Many landlord’s are going to be forced to sell and will take a loss just to get out. This means, that it is a great time to be the buyer and that the sellers need us to help them sell.

So the strategy is a very simple one. Make a plan to acquire a certain amount of real estate this year. Take action and only buy if it makes financial sense to you. If a seller wants more and it doesn't make sense, walk away because there is plenty of properties that you can buy. Look for sellers who **MUST** sell. Buy good properties that will create income for a long time.

Go learn what you have to learn and take action.

I'm excited, because I see the opportunity for you and me. Most people don't. Most people won't take action. Most people have no plan. Don't be one of them.

So to end this report here's what you **MUST do.....**

Make your plan.

Break it down into steps.

Have specific deadlines

Measure your results.

Take more action and succeed!

Do it NOW!

Questions and Comments Are Welcome

I'd love to hear from you. If you want to make a comment or ask a question, feel free to. You can do this by posting your question or comment at

<http://www.askdaveschneider.com>

I have attached to this report a planning sheet. It is set up to help you plan your life in six areas of your life. If you have an interest you should follow the sheet and create a plan for all the area of your life that matter.

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Step Four – Determine what action steps you must take and when you must take them.

Ok, you know what you want, now it the time to **DO** something to go get it. -- *You Must Take Consistent Action* – For example if your want to buy two homes a year your action steps might look like this:

Step 1 – Learn how to evaluate what is a good property – take a course or read a book by _____ (enter date).

Step 2 – Learn about lenders loan programs – call 25 different lenders and ask about their program by _____ (enter date).

Step 3 – Buy a fax machine (if needed) by _____ (enter date)

Step 3 – Evaluate and look at _____ (enter a number) per week starting _____(enter date).

Step 4 - Take a course or read a book on management by _____ (enter date).

Step 5 – Make offer on any property that looks good.

Step 6 – If property is accepted –start looking for tenants.

Step 7 – Run advertising and start marketing for tenants.

Step 8 – Set up a management system or hire a property management company by _____ (enter date).

Step Number	Items To Do	Dead Line Date	Check If Complete

Step Number	Items To Do	Dead Line Date	Check If Complete

Use additional sheets if needed.

