
MISTAKE FREE REAL ESTATE

A Passive Investor's Guide To Winning With Rental Homes

By Marck Bryan de Lautour

Foreword by Dr. David Phelps

FOREWORD

Cash flow is the lifeblood of lifestyle. Real financial freedom comes from the replacement of active or transactional cash flow – trading time for dollars – with "passive" or annuity cash flow that is sustainable for the rest of one's life. Capital assets – real estate – are the only investment assets capable of producing reliable cash flow with an inflation hedge while at the same time not depleting the original investment (the opposite of the financial products accumulation and depletion model).

Unfortunately, this concept is not taught in schools or advocated by the traditional financial planning pundits. Instead, the majority believe that financial planning – and ultimately, financial independence – is best left to advisors and planners who sell Wall Street products based on the accumulation model. The alternative investments that the author describes are built on cash flow first, combined with equity build-up (wealth creation) and the proper use of leverage.

Yet, with all of the Wall Street complexity (purposely designed to make it difficult, if not impossible, for the average investor to

understand), the financial results are far from the desired outcome. Market volatility occurs in regular cycles of six to ten years with the advice to investors to "just hang on – the market will come back." This "decade of losses" means that too many have to work years longer than initially planned or are forced to accept a diminished retirement lifestyle often dependent on third parties (government programs, Social Security, or charity).

The good news is that it doesn't have to be this way. Few would dispute the fact that real estate is known as the quintessential wealth builder. The questions for most, then, are: "How can I be a real estate investor? How should I go about investing in real estate? Should I do it myself? Buy some online programs? Find a local real estate investment club? Attend a "get rich in real estate" seminar in my hometown?

It is the inefficiencies of the real estate market that provide significant opportunity over the efficiencies of Wall Street financial products. In the real estate market, price or value is set by the motivations and the negotiations of the seller and the buyer, not a market index platform run by high-speed computer trading. This inefficiency makes values in real estate a moving target, and therein lies the opportunity. Lead generation marketing combined with negotiating experience plus value-add management after the acquisition are variables that offer the potential for predictable long-term investment returns.

While there are many different real estate asset classes that are viable for investment, my bias is toward single-family residential properties. Why? First, they are the most easily financed of all

real estate (the use of financing leverage is a huge advantage). Second, people always place having a roof overhead as a critical life priority (there is still demand for good rental properties in good neighborhoods). Third, owning multiple single-family rentals provides diversification of investment assets. Fourth, houses are relatively easy to evaluate as opposed to apartment complexes, retail, commercial, or industrial properties.

I have come to know Marck well through our association in several mastermind groups. He has the experience and reputation for excellence with the character of utmost integrity, and that makes him my go-to-guy for single-family investment advice, product, and management.

The typical horror stories of the "accidental landlord" are avoided, and the passive investor can enjoy all of the benefits of real estate without the hassle. Do-it-yourself investing is not a wise trade of that time. Instead, collaborating with the right people (who are experienced and have a verifiable track record) and investing in the right assets (as defined in this book) can pay lifetime dividends.

Marck de Lautour has written the ultimate guide for passive investors (career small business owners or professionals) who want the benefits and access to reliable real estate investment without going through the trial and error of figuring it out for themselves. After all, time is money. By collaborating with a real estate professional, mistakes are greatly minimized, as is the time involvement required by the investor.

The concepts in this book should not be missed. Taking an active role in the orchestration of one's financial future is imperative.

However, that does not mean taking a second job or becoming an HGTV fix'n flipper. Partnering or creating joint venture relationships with those who are experienced and have an active real estate business track record is the best way to invest in the alternative investment class of real estate. Over time, the benefits of sustainable cash flow, equity build up through amortization of loans, and market appreciation, plus the generous tax preferences afforded to real estate owners, provide the long-term investor with a wealth-building program that is not a guessing game.

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Chapter One

Mistake Free

Real Estate

Mistake free Real Estate—is there such a thing?

I can assure you without question that there are many many pitfalls and mistakes being made by real estate investors on a daily basis. I should know: I have made all the rookie mistakes. Having bought over 1,100 homes in my 18-year investing career, the number of times I have regretted a decision are too numerous to count. However, I am proud to say that the number of times I have taken a loss on a property have been very few indeed.

At the time of this writing, we are facing one of the longest progressively upward trends in the real estate market. The recovery from the global financial meltdown of 2007 and 2008 has been a

slow steady climb for United States real estate. The loose lending practices from 2000 through 2005 have obviously not been replicated, leaving a slow but conservatively steady climb back into prosperity for much of the United States. The question I am often asked from foreign nationals about United States real estate is “when will the next bubble burst?” My experience tells me that I don't see a bubble at least in the strong Midwestern States. Having said that, I am also wise enough to know that the next recession will not look like the last, and now is the time to be prudent and fiscally responsible with our investment dollars.

This book is designed to help guide those high-income, high-net-worth individuals who may fit one or more of the following criteria:

- Comfortably earning more than they spend
- Have successfully accumulated a nest egg of investable dollars
- Are busy working hard at making money and don't have the time to “DO” real estate themselves
- Understand and appreciate the benefits of real estate in general but don't have the time to do it themselves
- Have come to realize that the stock market and paper assets in general are a very fickle investment class
- Appreciate having an investment professional to educate and partner with them in their portfolio development
- Appreciate a hands-off investment experience
- Understand that to generate cash flow later, they have to invest in assets now

If any of these characteristics seem to fit your mold then this book is for you. Guiding you through the pros and cons of real estate

is NOT the intent of this book. The true intent of this book is to educate and open the reader's eyes to a world of truly hands off real estate investing, with the goal of generating passive cash flow to offset income from your job so that one day in the very near future you can walk away from the 9-5 Monday through Friday Grind and never look back! KNOWING that your income is set from your rental real estate earnings.

My goal is to educate you on the avenues that exist to PASSIVELY invest in Real Estate. My hope is that by the end of this book you'll have enough confidence to be able to take the next step and begin PASSIVELY buying some positive cash flowing rental properties.

Mistakes In Real Estate:

I have made more mistakes than I can count, and it is painful to think about them. I thought it would be amusing to detail some of the mistakes I have made below.

- Buying the wrong house. Researching one. Buying another.
- Buying a house with foundation problems
- Buying a house with title issues
- Buying a house with termites
- Buying a house with a tenant that refused to get out
- Buying a home that the former owner appealed and held us in court for 2 years!
- Trusting a contractor, and paying him up front
- Trusting a contractor with the keys to the house, then getting robbed

- Not pulling a permit and getting a remodel shut down
- Buying a house with a tax lien
- Buying a house with a spring under the home

Now seeing so many mistakes (and reliving the pain and embarrassment), it occurs to me that this would perhaps make an interesting read for a later book. I will expand upon them more in due time. But seeing all these pitfalls, why would anyone want to invest their hard-earned dollars in real estate? The answer lies in a few simple truths.

1. They are not making any more land.
2. Real Estate consistently goes up in value over time
3. The government encourages you (through tax incentives) to buy real estate
4. Banks love to lend on real estate
5. There is a constant need for housing in a growing population

But there are some big dollars at play here, so those that don't understand risk and reward tradeoffs, or who fail to educate themselves on the market, can find it an extremely intimidating realm to enter into. Which is GREAT for everyone else who is capitalizing on the amazing deals that are out there!

Fear of the unknown can be paralyzing, and when it comes to the world of real estate investing, there are so many variables that even to a highly educated individual it can seem overwhelming to the point where they decide not to do anything at all.

Those that educate themselves, however, can not only overcome this fear but also thrive and prosper in their real estate investing

career. I know. I have lived it. Having counselled high-income, high-net-worth individuals over the past 18 years, the one constant that I find is that living with regret is the greatest downfall for people facing retirement.

I have frequently heard people regretting their decision to not hold onto more real estate in their past, but have never heard an elderly person complain about 'all of the real estate they own being a burden to them.' Buying and holding real estate is one of the stalwarts of wealth accumulation

and one I firmly believe is available to far more people in America than are currently taking advantage of it. Anyone can retire with dignity and not be reliant on timing of a dodgy stock market if they would just educate themselves and put forth some basic effort.

So "**Mistake Free Real Estate**" as I'm referring to in this book, can best be described as *"Partnering with an expert (Full Turnkey Provider) to acquire cash flow positive real estate with the mindset of accumulating long term wealth, while avoiding all the pitfalls and errors commonly associated with investing in single family homes."*

**I see the two biggest mistakes in real estate investing as:
(1) not buying any real estate, or
(2) buying with a short term mindset.**

WHY BUY REAL ESTATE?

REAL ESTATE IS A LEGACY PLAY. It's the greatest way to create income for yourself, and future generations, without ever having to sell assets.

“What is my exit strategy?” is a common question I receive when presenting our business operation to potential investor clients. My response takes a while to sink in; **“the best exit is to never exit.** Don't sell. Ever.”

**When you buy
and hold for
a long period
of time, you
cannot lose!**

I often describe our business as a CROCK POT, not a MICROWAVE. Rental real estate is the business of getting wealthy slowly over time, not getting rich quick. If you run into a full turnkey provider promising overnight success, run for the hills! That's just not going to happen. What will happen over time is your debt will get paid off by your tenant, and your properties will gain value.

Have you ever met a 70-year-old person who regretted buying hundreds of pieces of real estate when they were in their 30s? I never have. What I do commonly run into is older people lamenting over the high cost of real estate and talking about the fact that they paid one-quarter of the price only 40 or 50 years ago. Having seen real estate double in value twice during that time period astounds them. What I'm here to tell you is that past history is the best indicator of future development, and I don't see any chance that real estate will not continue to gain in value over time. It may not double in

value overnight, but it will gain slowly in value at a steady 3-4% clip every year.



FUN FACT: Most people look back at retirement age wishing they had bought more property.

NOTE: I talk in Chapter 7 about “Tax Advantages of Buy and Hold Real Estate” that will add context to the NEVER SELL REAL ESTATE concept I am preaching here.

Rental real estate can be handed down from generation to generation extremely easily. Note: be sure to seek legal advice to determine the best investment vehicle for your personal situation.

- Why ever sell an asset that’s a taxable event?
- Why ever sell an asset that is spinning off positive cash flow?
- Why ever sell an asset that you can depreciate over and over again from generation to generation?
- Why ever sell an asset that, when you die, will provide a lasting cash flow for your children?
- Why ever sell an asset that can be leveraged over and over again?
- Why ever sell an asset that the government pays you to hold?
- Why ever sell an asset that can repeatedly pull out tax free money?

- Why ever sell an asset that has another person paying the mortgage payment for you?
- Why ever sell an asset that doubles in value every 20 - 30 years?

The most common answer is: “Rental homes are a hassle”

Well, I can assure you that the right turnkey provider will alleviate all the burdens and headaches from rental home ownership. The right management team is **CRITICAL** to success. All the sob stories and real estate horror tales have come from self-managed or mismanaged homes. Remember the two big killers of cash flow? That’s right: **VACANCY** and **MAINTENANCE** expense. If you can control these two consistently over time you win with real estate.

Why ever sell? Exactly my point!

Having covered the “**WHY**,” we will now dive into the rest of the concepts, but please note that we have not forgotten the **WHO**, **WHAT**, **WHERE** AND **HOW**...all of which will be discussed in great detail in Chapter 8.