

We Buy Houses, Sometimes!

Own Your Life *through* **Real Estate Investing**

Michele A. Gorman
Marc Halpern, Ph.D.



Own Your Life LLC

We Buy Houses, Sometimes!
Own Your Life through Real Estate Investing

LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: The publisher and the authors make no representations or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation warranties of fitness for a particular purpose. No warranty may be created or extended by sales or promotional materials. The advice and strategies contained herein may not be suitable for every situation. Real estate laws vary from state to state, so some of the information in this book will not be directly applicable to all locations. This work is sold with the understanding that the publisher and authors are not engaged in rendering legal, accounting, or other professional services. If professional assistance is required, the services of a competent professional person should be sought. Neither the publisher nor the authors shall be liable for damages arising herefrom. The fact that an organization or website is referred to in this work as a citation and/or a potential source of further information does not mean that the authors or the publisher endorse the information the organization or website may provide or recommendations it may make. Further, readers should be aware that internet websites listed in this work may have changed or disappeared between when this work was written and when it is read. The authors are licensed real estate professionals in the state of New Jersey. The authors are not rendering real estate advice in this work.

Copyright © 2008 Own Your Life LLC. All Rights Reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher.

Published by Own Your Life LLC, Cherry Hill, New Jersey. Requests to the Publisher for permission should be addressed to the Executive Director, Own Your Life LLC, P.O. Box 575, Williamstown, New Jersey 08094 USA or by e-mail at publisher@webuyhousesometimes.com.

ISBN: 978-0-9818425-0-9

Manufactured in the United States of America

About the authors

Michele A. Gorman

Michele Gorman is a recognized authority and leading professional real estate expert with hands-on experience in the areas of construction, remodeling, buying, selling and renting of single family homes, multi-family housing and commercial properties. Michele has been a real estate investor and landlord since 1993 and owns the real estate brokerage Buy This House. Michele regularly consults with clients on real estate opportunities, advising on property analysis and investment feasibility. Additionally, Michele has extensive knowledge in identifying and recruiting private investment money for her multitude of successful real estate ventures.

Michele hosts the weekly radio show “All Things Real Estate.” Podcasts can be downloaded at www.WeBuyHousesSometimes.com. Michele lives in New Jersey with her husband and three children. You can contact Michele at Michele@WeBuyHousesSometimes.com

Marc Halpern, Ph.D.

Marc is a part-time real estate investor and a full-time organic chemist. Marc is the founder of PTC Organics, a company that helps chemical manufacturers reduce production costs while preventing pollution. As an expert in his field of catalysis, Marc has written four books, published more than 100 articles & patents, provided on-site training & consulting services at more than 250 sites in the US, Europe and Asia and has helped companies save more than \$170 million for pharmaceuticals, agrochemicals, flavors & fragrances, monomers, polymers, petrochemicals and other organic chemicals. Marc has held a variety of positions in the chemical industry including in process chemistry, marketing and executive management positions.

In the mid-1980's, Marc began to invest in real estate part-time, to supplement his long term financial planning for retirement and children's college. Marc developed substantial expertise in the areas of market analysis, buying, selling and renting of single family homes and apartments. Marc is a good example of being successful as a part-time real estate investor while enjoying success in a totally independent full-time career. You can contact Marc at Marc@WeBuyHousesSometimes.com

As co-founders of the company, Own Your Life, LLC, Michele and Marc have developed a process by which individuals can take control of their lives, achieving happiness while securing their financial well-being, utilizing the tools of motivation, life by design, real estate investing and small business development.

We Buy Houses, Sometimes!

Own Your Life

through

Real Estate Investing

Contents - At a Glance

Section 1: Own Your Life!		1
	Introduction	2
Chapter 1.	What is Own Your Life?	7
Chapter 2.	How to Own Your Life!	15
Section 2: Why Buy Houses		45
Chapter 3.	Houses...The Vehicle to <i>Own Your Life</i>	46
Chapter 4.	Security Management	49
Chapter 5.	Leverage	63
Chapter 6.	Cash Now	68
Chapter 7.	Wealth Later	72
Chapter 8.	Asset Allocation	80
Section 3: Buying Your First House		83
Chapter 9.	Locate – How Do I Find a Deal?	84
Chapter 10.	Analyze – Select Investment Strategy	95
Chapter 11.	Offer – How to Make the Offer	116
Chapter 12.	Contract – Put it in Writing	123
Chapter 13.	Process – Handling the Details	128
Chapter 14.	Fund – How to Finance the Deal?	133
Chapter 15.	Close – Settle the Deal	175
Chapter 16.	Why People Don't Pull the Trigger	178

Section 4: Investment Strategies	187
Chapter 17. Buy-Rent-Hold	189
Chapter 18. Lease-Option	231
Chapter 19. Buy-Fix-Sell	258
Chapter 20. Wholesale	292
Section 5: We Buy More Houses	311
Chapter 21. Transition to House Per Quarter & Beyond	312
Chapter 22. Perspectives of a Full-Time Real Estate Investor	325
Chapter 23. Perspectives of a Part-Time Real Estate Investor	337
Section 6: Why Sometimes	347
Chapter 24. No Deal is Better Than a Bad Deal	348
Chapter 25. Market Behavior - Show Me the Data	363
Chapter 26. Market Cycle - Stages of Real Estate Markets	370
Chapter 27. Affordability	414
Section 7: We Sell Houses, Eventually	427
Chapter 28. Selling Below Retail – Wholesale	428
Chapter 29. Selling Retail	432
Chapter 30. Selling Above Retail	457
Section 8: Summary & Action Plan	473
Own Your Life Services	480
Appendix	487

We Buy Houses, Sometimes!

Own Your Life

through
Real Estate Investing

Expanded Table of Contents

Section 1: Own Your Life!	1
Introduction	2
How to Read this Book	5
Chapter 1. What is Own Your Life?	7
Control	8
Purpose	9
Vision	10
Choice	10
Happiness	11
Summary	14
Chapter 2. How to Own Your Life!	15
Where Are You Now? – Analyze	15
Circumstance - Take Control	18
Overly Passive & Reactive to Circumstance	19
Overcommitment	20
Roles - Where Do You Invest/Spend/Waste Your Time?	
What is Your Purpose?	21
Self	22
Family	24
Spirit	25
Community	26
Financial	26
Where Do You Want to Be? Plan Goals - What is Your Vision? ...	28
Overview of Constructing Your Personal	
Own Your Life Plan	29
Living for Purpose Today & Vision Tomorrow	
Implement - Make Choices	30

Translate Your Vision and Non-Financial Goals into Financial Needs	32
The Peanut Gallery - Rejection or Support	37
Celebrate Victories - Be Happy	39
Adjust for Set Backs - Reanalyze Purpose	40
Reach Higher - Get a New Vision	41
Summary	42
Section 2: Why Buy Houses	45
Chapter 3. Houses...The Vehicle to Own Your Life	46
Chapter 4. Security Management	49
When Did You First Decide How to Make Money?	49
Criteria for Choosing How to Make Money	50
Do You Hesitate to Invest in Real Estate Because You Don't Like Risk?	52
Investing in Real Estate - Manageable & Predictable Risk	54
Sales Price	54
Jobs	56
Bubble	57
Rent Level	58
Costs	60
Cash Flow	60
Tax Ramifications	61
Income Stability	61
Summary	62
Chapter 5. Leverage	63
Summary	67
Chapter 6. Cash Now	68
Summary	71
Chapter 7. Wealth Later	72
How Much Per Year?	74
How Many Years?	74
Summary	79

Chapter 8. Asset Allocation	80
Summary	82
Section 3: Buying Your First House	83
Chapter 9. Locate – How Do I Find a Deal?	84
Resources and Methods for Finding a Deal	84
Sphere of Influence, Networking - Business Cards	84
Wholesaler	85
Real Estate Agents	87
Newspaper	89
Driving for Dollars	91
Numbers Game	93
Summary	94
Chapter 10. Analyze – Select Investment Strategy	95
Location	96
Neighborhood or Subdivision	96
Type and Style	100
Financials	101
Condition	104
“Exit Strategy” (Investment Strategy)	105
Wholesale	110
Fix-Sell	111
Lease-Option	112
Rent-Hold	112
Other Considerations When Choosing Investment Strategy ..	113
Summary	115
Chapter 11. Offer – How to Make the Offer	116
Offer on a House Brought by a Wholesaler	116
Offer on a House Brought by a Real Estate Agent	116
Offer to Purchase	117
Purchase Agreement	117
Other Considerations When Making an Offer through a Real Estate Agent	119
Offer on a House Directly to the Seller	120
Summary	122

Chapter 12. Contract – Put it in Writing	123
Contract through a Wholesaler	123
Contract through a Real Estate Agent	123
Contract Directly with the Seller	124
What’s in Your Contract?	124
Summary	127
 Chapter 13. Process – Handling the Details	 128
Home Inspection	128
Termite Inspection	129
Title Search/Insurance	129
Survey	130
Insurance	131
Certificate of Occupancy	131
Summary	132
 Chapter 14. Fund – How to Finance the Deal	 133
Cash	133
Mortgage Loan	134
Where to Get a Mortgage Loan	134
Type of Interest Rate	136
Points	137
Mortgage Loan Types	139
Traditional: Amortized Loans	139
Conventional Financing	140
FHA Financing	141
VA Financing	141
Interest Only Loans	142
Combo/Piggyback Mortgages	142
Option Arm Mortgage Loans	143
Home Equity Loan or Home Equity Line of Credit (HELOC)	143
Non-Traditional Financing	145
Hard Money Loans	145
Private Lending	146
Self-Directed IRA	147
Personal 401(K)/Annuity	148
Owner Financing	149
Gift Funds and Gift Assistance Programs	150

Creative Financing	151
Credit Cards	151
Business Lines of Credit	152
Subject-To	152
Lease-Option	155
Land Contract or Installment Contract	157
Partnership	159
Control It	161
Options	162
A Plan for Sorting through Funding Options	
- Getting Your First “Seed Fund”	162
Question #1: Do You Have Cash or Cash Equivalent?	
Do You Know Someone Who Does?	163
Question #2: Do You Own a Home and Have Equity?	165
Question #3: Do You Know Someone Who Has Cash	
or Equity?	166
Question #4: Do You Have a Hair Stylist?	167
Federal Disclosure Documents	168
Good Faith Estimate	168
Truth in Lending	170
Summary	173
Chapter 15. Close – Settle the Deal	175
What You’ll Need to Close	175
Settlement Agent	175
HUD-1	176
Settlement Charges	177
After Closing	177
Summary	177
Chapter 16. Why People Don’t Pull the Trigger	178
Financing	180
Hard to Find Deals	180
Not Enough Technical Knowledge & Dealing with	
Contractors and Tenants	181
Afraid to Lose Money	182
Afraid the House Won’t Sell	182
Aversion to Risk	182
Non-Supportive Spouse/Partner	183
Not Enough Time Due to Family Commitments	183
Summary	185

Section 4: Investment Strategies 187

Chapter 17. Buy-Rent-Hold	189
Cash Flow - The Numbers Must Work	189
Principal & Interest	190
Taxes	190
Insurance	191
Positive Cash Flow	193
The Relationship Between Purchase Price and PITI	195
Unexpected Expenses – Expect the Unexpected	197
Maximum Allowable Offer for Buy-Rent-Hold	198
Finding Tenants	200
Yard Signs	201
Newspaper	201
Open House	202
MLS	202
The Internet	202
Phone Interview	203
Tenant Screening – Gotta Get this Right	204
Screening Criteria	206
Taking the Application	208
Before the Interview & Application	208
During the Interview & Application	209
After the Interview	210
Additional Comments	211
The Lease	211
Other Lease Requirements	214
One Last Recommendation	214
Lease Signing	214
Review Best Case and Worst Case Scenarios	216
Eviction	217
Move-In	218
Tenant Management & Tenant Retention	221
“Residents”	221
Regular Inspections	222
Repairs	222
Landlord Programs	223
Rent Increases & Lease Renewal	225
When Problems Arise	226
Are You the “Mean Landlord?”	227
Vacancy	228

Payday	229
Summary	230
Chapter 18. Lease-Option	231
Create an “Equity Packet”	233
Example 1: Lease-Option in a “Normal” Market	234
Example 2: Lease-Option in a Rapidly Appreciating Market	236
Maximum Allowable Offer (MAO) for a Lease-Option	237
Guidelines for Estimating Factors for Lease-Option MAO ..	239
Finding Tenant-Buyers	239
Yard Signs	240
Newspaper	241
Open House	242
MLS	243
The Internet	243
Phone Interview	243
Screening Criteria	245
Option Consideration is Not a Down Payment	246
Option Consideration – How Much?	247
The Option Agreement	249
The Lease	250
Dollar Limit for Repairs	251
Security Deposit	251
Pets	251
Alterations	251
Setting the Lease Payment	251
Lease Signing	252
Relationship with the Tenant-Buyer	253
“Conversion” – Tenant Buyer Buys the House	255
Summary	257
Chapter 19. Buy-Fix-Sell	258
Buy	260
Buy Right - “You Make Your Money When You Buy”	
The Maximum Allowable Offer Equation	260
After Repair Value	261
Closing Costs - Buying and Selling	262
Holding Costs - Cost of Funds & Utilities	263
Commission/Cost to Sell – Marketing	265
Profit	267

Repair Cost	268
What Work Should I Do?	268
What to Include - Quality of Materials	269
Estimating	271
Before You Close on Your Purchase	273
Scope of Work	273
Contractors	274
Get to Know Your City or Town Requirements	275
Fix	276
Who's Running the Project?	276
Dealing with Contractors	277
Interview Process	277
Proposals	278
Contract	280
Independent Contractor	280
Scope of Work	281
Contract Assignment	281
Laws & Permits	281
Inspections	282
Clean-Up	282
Completion Schedule	282
Additional Work/Alterations	283
Invoicing/Payment Schedule	283
Customer Approval	283
Cancellation	284
Waiver	284
Indemnification	284
Waiver of Subrogation	285
Final Comments about the Contract	285
Permits	286
Order of Construction and Scheduling	286
Inspections & Decision Making	288
Payment	289
Dealing with City/Town Officials	289
Almost There	290
Summary	291
Chapter 20. Wholesale	292
What is Wholesaling?	292
Why Wholesale?	293
Property Location	293

Property Condition	294
Personal Finances	294
Available Financing	294
Available Time	295
Profit Potential	295
How To...	296
Advertise/Market	296
Phone Interview	297
Go on Appointment	299
Estimate Repairs/Do the Numbers	300
Make Offer(s) MAO	301
Follow Up or Adjust Strategy	302
Sign Contract	303
Assignment Fee	304
Sell the Contract or Property	305
When You Can't Find a Buyer	306
Go to Closing/Get Paid	307
Why Not to Wholesale	307
Summary	309

Section 5: We Buy More Houses 311

Chapter 21. Transition to House per Quarter & Beyond	312
Need or Want More <i>Cash Now</i>	313
<i>Cash Now</i> for Building Wealth	314
<i>Cash Now</i> for Recovery	317
<i>Cash Now</i> for Maintenance	318
The Transition for Part-Time Investors	319
Other Financing for the Transition	322
Summary	323

Chapter 22. Perspectives of a Full-Time Real Estate Investor ..	325
Possible Concerns	326
Use Multiple Investment Strategies	326
Managing Income Between Paychecks	326
Seclusion	327
Marketing	328
Changing Hats	329
Employees	329
Insurance	330

Financing Issues	330
Tax Issues	331
All-In!	332
Time	332
I Wouldn't Change a Thing	333
Diversity Everyday	333
Big Pay Days	334
Providing for Today and Tomorrow	334
Make Money When You're Sleeping	334
Shop on Tuesday, Beach on Wednesday	335
Summary	336
Chapter 23. Perspectives of a Part-Time Real Estate Investor	337
Advantages of Being a Part-Time Real Estate Investor	341
Your Job	341
Hedge	342
Working Spouse/Partner	343
Flexibility for Growth	343
Having Discretionary Income that is Truly Passive	343
Self-Directed IRA	344
Time	345
Disadvantages of Being a Part-Time Real Estate Investor	345
Time	345
Losing Money	345
Summary	346
Section 6: Why Sometimes	347
Chapter 24. No Deal is Better than a Bad Deal	348
The Numbers Don't Work	349
Buy-Rent-Hold	350
Lease-Option	351
Buy-Fix-Sell	352
Wholesale	354
When Strategy Does Not Match the Stage of the Market Cycle	356
Wrong House for the Neighborhood	357
Emotional Factors Dominate the Decision	359
Summary	362

Chapter 25. Market Behavior - Show Me the Data	363
OFHEO House Price Index- How to Read Graphs	
in this Section	365
Market Behavior - Show Me the Data!	366
Chapter 26. Market Cycle - Stages of Real Estate Markets	370
Balanced Market	371
How Can You Make Money in a Balanced Market?	376
Effect of Inflation	382
Balanced Market Summary	384
Seller's Market	384
Why Do House Prices Usually Increase?	385
Mild Seller's Market	386
Strong Seller's Market	388
“What Goes Up Must Come Down?”	390
How Can You Make Money in a Seller's Market?	392
Making Money in a Mild Seller's Market	392
Lease-Option in a Mild Seller's Market	393
Diversifying Investment Strategies	394
Making Money in a Strong Seller's Market	395
Buy-Fix-Sell in a Strong Seller's Market	395
Lease-Option in a Strong Seller's Market	396
Buy-Rent-Hold in a Strong Seller's Market	399
Wholesale in a Strong Seller's Market	400
Parting Comments about a Strong Seller's Market	400
Seller's Market Summary	401
Buyer's Market	402
Cash Flowing a Rental in a Buyer's Market	407
Foreclosures in a Buyer's Market	409
Interesting Observation for the Buyer's Market in the	
Late 2000's	409
How Can You Make Money in a Buyer's Market?	410
Creating “Equity Packets” of Cash Later	
Near the End of a Buyer's Market	411
Buyer's Market Summary	412
Parting Words about Real Estate Market Behavior	412
Chapter 27. Affordability	414
Why is Affordability Important?	414
Summary	423

Key Lessons from the Two Chapters:
 Chapter 26 – Market Cycle - Stages of Real Estate Markets
 Chapter 27 – Affordability 424

Section 7: We Sell Houses, Eventually 427

Chapter 28. Selling Below Retail – Wholesale 428
 Homeowner Selling At Wholesale Price 428
 Condition 429
 Selling a House that Needs Little Renovation to
 Owner-Occupants 429
 Selling a House that Needs Substantial Renovation
 to Investors 429
 Financial Situations 430
 Wholesaler Selling Wholesale 430
 Summary 431

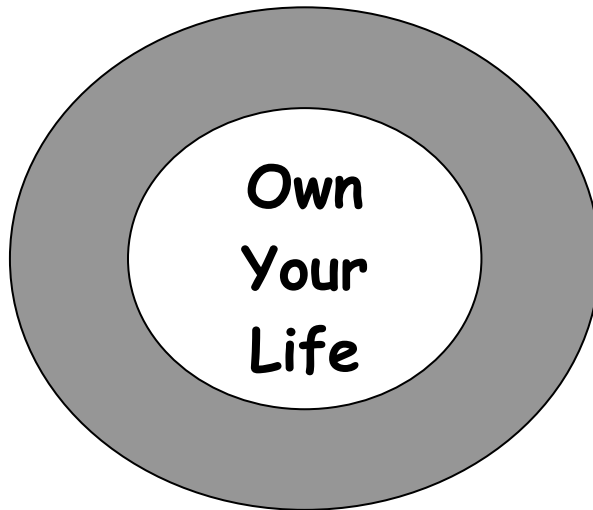
Chapter 29. Selling Retail 432
 Pricing & Financing the House 432
 Condition 433
 Terms 434
 Current Market Environment 435
 Marketing 436
 Qualifying the Buyer 441
 Mortgage Tips or Solutions 444
 Contracts 446
 Processing 446
 Seller Disclosure 448
 Certificate of Occupancy 449
 Deed Preparation 449
 Mortgage Payoff 450
 Final Utility Readings 450
 Closing 451
 Deed 451
 Affidavit of Title 452
 Errors and Omissions Form 452
 1099 Questionnaire or IRS form 1099 452
 Termite Certification 452
 Residency form 453
 Affidavit of Consideration 453

HUD-1 Settlement Statement	453
Buyer Thank You	454
After Closing	455
Summary	456
Chapter 30. Selling Above Retail	457
Traditional Financing	457
What are the Alternatives?	458
Lease Option	459
Advantages of Selling Using Lease-Option	459
Sell Faster and for More Money	459
Tax Benefits	460
Tenant-Buyers are Often Easier to Manage than Standard Tenants	460
Immediate Cash flow	460
Equity Packet	461
Disadvantages of Selling Using Lease-Option	461
Equitable Interest	461
Appraised Value Comes in Below Sales Price	462
Damage to Property	463
Time Commitment for Conversion	464
How-To for Lease-Option	464
Owner Financing	465
Owner-Financed Mortgage	466
Advantages of Owner-Financed Mortgage	466
Disadvantages of Owner-Financed Mortgage	467
Land Installment Contract	468
Advantages of Land Contract	469
Disadvantages of Land Contract	470
Seller Tips	470
Summary	472
 Section 8: Summary & Action Plan	 473
Step 1: Define What You Need for Happiness	474
Step 2: Translate Non-Financial Goals into Time-Defined Financial Needs	475
Step 3: Match Your Investment Strategy to Your Time-Defined Needs for Money	476
Step 4: Buy Your First/Next House	476

Step 5: Buy More Houses	476
Step 6: Adjust for Market Cycle	477
Step 7: Sell Your House(s) According to Your Plan	478
Step 8: Go Back to Step 1 and Refine Your Plan to Enjoy Happiness	478
Own Your Life Services	480
3-Day Course: Own Your Life through Real Estate Investing	481
1-Day Workshop: Achieving Happiness While Securing Your Financial Well Being	483
Own Your Life Membership	484
Own Your Life Personal Coaching	485
Own Your Life Additional Courses	486
Appendix:	
Maslow's Hierarchy of Needs	487
HUD-1 Settlement Statement	492
Sample - Rental Application Criteria	496

Section 1

Own Your Life!



Section 1: **Own Your Life!**

Introduction

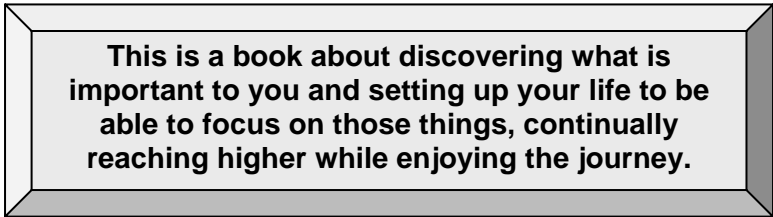
Chapter 1. What is Own Your Life?

Chapter 2. How to Own Your Life!

Introduction

We believe that everyone has the right to live a fulfilled life while enjoying happiness on a daily basis. This is a book about discovering what is important to you and setting up your life to be able to focus on those things, continually reaching higher while enjoying the journey.

In *We Buy Houses, Sometimes!: Own Your Life through Real Estate Investing*, we want to help you do just that, ***Own Your Life***. This book will guide you through the principles that will allow you to enjoy happiness while securing your financial well-being. These principles are not difficult or complicated. These principles help shape our lives, and affect the relationships we have with our family, our community, our careers and even ourselves.



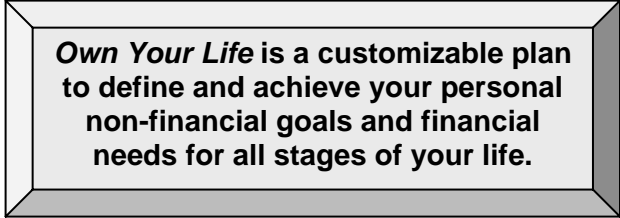
This is a book about discovering what is important to you and setting up your life to be able to focus on those things, continually reaching higher while enjoying the journey.

What does it mean to *Own Your Life*? First, you must realize that you deserve to be happy. Once you accept this, how do you get there? To *Own Your Life*, you must:

1. Take Control
2. Define Your Purpose
3. State Your Vision
4. Make Choices
5. Be Happy

To have success in *Owning Our Lives*, we will focus on what each one of these principles means and how to use them to improve our lives. It is important to note that the first three principles are all mental and only require your commitment of time to identify that which is important to YOU.

We will take you on a journey, first analyzing where you are now, then move forward laying the ground work to define what happiness is for you. We then challenge you to implement an action plan to live within the purpose and vision you have identified. What we are looking for here is the process of IMPROVEMENT. It doesn't matter from where you are starting. You may already be living a good life and looking for more fulfillment. You may be recovering from a devastating event in your life. You may simply be looking for a better way to cope with the challenging world we live in. Regardless of your starting point, by deciding to take control of your life, we show you how to begin living a life of happiness immediately.



***Own Your Life* is a customizable plan to define and achieve your personal non-financial goals and financial needs for all stages of your life.**

Own Your Life is a customizable plan. This is not an abstract thought, but rather a philosophy to live by. Everything you learn, you will be able to implement immediately bringing change to your life and the lives of others around you.

You have great days ahead of you. If you are enjoying happiness and feel fulfilled on a daily basis, you can use these principles to stay focused and maintain a consistent balance enjoying the people and experiences you choose to build your life around. You can also lead by example and spread the word about what *Owning Your Life* does for you.

We note that some percentage of the goals in our lives do not translate into financial needs. That means that not everything requires money. What they do require is a decision, or choice, to make a change. For those goals or life events that do require some amount of money, large or small, we help you **estimate the financial need and identify when it will be needed.**

After helping you translate your non-financial goals to time-defined financial needs, we will show why real investing in real estate is one of the lowest risk and highest reward strategies. In fact, real estate is “the supreme investment strategy” for meeting your goals and needs. We will describe the opportunity while addressing perceived and real risks. We do not sweep anything under

the rug and we encourage questioning all the assumptions We spend the remainder of the book detailing and teaching the financially rewarding field of real estate investing. When you use real estate investing to “fund” your life, the payoff is abundant. When you have the money to meet your financial needs in the short term, intermediate term and long term, you have the time to focus on the things that matter to you at all stages of your life.

This process is not about getting or being “rich”, but rather using real estate investing to fund our lives now and build wealth for later while focusing on what is important to us. It’s about being a first-hand example for those around us that living a life of purpose can be both fulfilling and rewarding.

We will cover everything from buying your first house, to evaluating and deciding the best investment strategy for a specific property at a particular time in the market cycle. This is a very comprehensive guide and will cover every how-to step, and when to use, the following four real estate investment strategies.

1. Buy-Rent-Hold
2. Lease-Option
3. Buy-Fix-Sell
4. Wholesale

It is important to note that there is no single investment strategy that will meet every possible financial need. That’s why we teach all four investment strategies.

After the first house, we will show you how to utilize these specific investment strategies to buy more houses to meet your on-going personal goals and financial needs. We will show you that it is feasible to be successful even as a part-time real estate investor with a full-time job. It’s your choice and your choice will depend on how you want to *Own Your Life*.

We’ll go over why “We Buy Houses, **SOMETIMES**”, including the properties you shouldn’t buy and why. We will dedicate chapters to understanding the stages of the real estate market cycle. We will detail which strategies to use in each stage of the market cycle and how to adjust with course corrections as the market changes. This is a topic that is essential to successful investing but is rarely covered. This is surprising in light of the ups and downs in the real estate market. It turns out that time, time, time is just as important as location, location, location in real estate. So, it is crucial

to understand real estate market behavior and further understand how differences in affordability in different cities affect decision making in your local market.

We will wrap up with a complete guide of how to sell every property using one of three selling strategies (below retail, retail and above retail) to optimize sales price while reducing time on the market.

It is obvious that this book covers a lot of ground. We feel that if you are considering investing in real estate or are already a real estate investor, your training is incomplete unless you learn both *how* and *why* to invest in real estate. This means starting with your purpose in life, advancing through translating your non-financial goals to financial needs and then learning the how and why of real estate investing to meet those needs and goals. We need to implement multiple investment strategies in our master plan and know how and when to use them while adjusting to a changing world.

When you finish reading this book, you will be a *sophisticated investor*.

How to Read This Book

This book has been written to satisfy different needs of the readers. The book can function as a single progressive comprehensive study that you can read sequentially from cover to cover. The book also groups individual detailed topics that can be read and studied separately. Because of this you will find some repetitive information to allow each concept or strategy the ability to stand alone.

For a quick overview of any section we begin with a description of what you will learn in that section, you can also browse the highlighted boxes throughout each chapter. Bullet-point summaries are provided at the end of each chapter to help cement the main points. We suggest going back to these periodically to review the key messages. We have included everything from the most basic concepts to some of the most advanced strategies.

Although we have included as many details as we could to define and represent the many complex areas of *Owning Your Life* and *Real Estate Investing* in this book, it would be impossible to cover in one location every possible variation or scenario. If you have a suggestion or feel we've missed something, please feel free to contact us through our website at

www.WeBuyHousesSometimes.com. We will try to make adjustments for the next edition. This book should be used as a reference guide to go back to, reanalyzing a process or strategy for increased profit, efficiency and success.

As authors, we decided to write this book because we are both deeply committed to the philosophy of *Owning Your Life*. We're excited to help others and empower people to feel strong, capable and ultimately successful, using real estate to get there. By writing this book, we have now committed to share the passion of *Own Your Life* and *Real Estate Investing* with everyone who ever wondered if they could **Take Control** of their life, **Be Happy** and feel fulfilled. *Real Estate Investing* is a strategy we are passionate about, and have had great success in, where substantial wealth can be built and change lives for generations to come.

The writing of this book has been one step in *Owning Our Lives*. Some days feel like true success, and others remind us to go back and recommit to our purpose. Since *Owning Your Life* includes reaching higher, it is a continuous challenge to find balance and focus on staying there. While our commitment is stronger than ever to help teach and impact the lives of so many, *our* purpose and vision continues to grow. With that, we too join you on the continuous journey of *Owning Our Lives*.

Chapter 1

WHAT IS OWN YOUR LIFE?

Are you in *control* of the events of your day, or does life control you? Do you get up each day excited and driven by a *purpose* that you've selected, or are your circumstances dictating your course?

Some of us are looking for a major change in our daily lives. Others already have a good life and are looking for improvement.

You deserve to be happy!

Whether you're looking to overhaul your daily routine and everything around it or just do a course correction to make your life better, by the end of this book you will be driven by your *vision* for tomorrow and have a practical plan to get there. We will show you how the *choices* you make today will define your success tomorrow. We are responsible for our own lives, and ultimately our own *happiness*. This is what *Own Your Life* is all about. Our number one goal is to not only tell you or remind you that you can *Own Your Life*, but to show you how.

Right now we are NOT talking about money. How to *Own Your Life* is about defining what's most important to you.

This chapter is based on the fact that you deserve to be happy. This whole book is about customizing a plan that will allow YOU to *Own Your Life* and be happy starting from YOUR personal situation. Let's start by exploring what is *Own Your Life*. We will then provide practical tools and guidelines for you to make decisions to improve YOUR world.

You CAN be in control of most things in your life.

Control

You CAN be in control of most things in your life. No matter what your circumstances are, you have a choice of how you look at and react to everything that is going on around you. When you are in control, you have the ability to affect a positive outcome. No, we cannot control all the events and people with which we come in contact, but sometimes we can decide to remove ourselves from a particular situation or environment that is not optimal for us. When we are in control of ourselves and our responses, we are MUCH better prepared to respond to those external events over which we don't have control. Control is deciding that *you* will make the decisions in your life and not let something or someone else make them for you.

When we feel controlled or surrounded by chaos, we sometimes look to blame others or our "circumstances". At that moment, it is important to realize that we all have the power inside ourselves to either accept the undesirable situation as it is, or choose to take a stand to change the situation or circumstance. The change you make may need to be internal, since you will not be able to change the minds of everyone you meet. Self preservation in areas like family, friends and work may prohibit you from outwardly disagreeing, but remember that you need to take responsibility for your actions and your life. You control the balance in your life, you decide where to invest your time. When you take responsibility, you will be in control and when you are in control, you will *Own Your Life*.

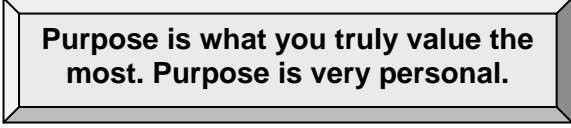
The word "control" conjures up uncomfortable thoughts about control freaks, dictators and domineering people who make the lives of others miserable. When we urge you to take control, we are not telling you to control others. You can only control one thing, yourself. You can be happy and accept the things you cannot control while working on those things that are under your influence. It is uplifting to realize that you can choose to take control and *Own Your Life*. Making that choice is the first step to improvement. Are you ready to make that choice? It's easy, just decide right now to set your mind to purposely improve your life. It is your choice, you have control of your mind and your decisions.

Take control of your life today. Take a stand, make a decision, set a goal then work to achieve it. Write the story of your life and remember that you're in control of not only the daily events but also the outcome.

Fate, Luck, Destiny; these are passive concepts. When you proactively take control of your life, you can create your fate, create your luck, and create your destiny. *Own Your Life* today.

Purpose

When you *Own Your Life* you have purpose and intention. Purpose is when you intrinsically know what or who is important to you and focus on that. Purpose is what you truly value the most. Purpose is very personal. What do you value the most?



Purpose is what you truly value the most. Purpose is very personal.

Without clear purpose, a better tomorrow cannot be realized. Our purpose in life should be strong enough to drive us to action, even when it appears most difficult.


Part of *Owning Your Life* is about relationships. Much of our purpose is about the success we have in those roles and relationships. Purpose is how you help or add benefit to yourself, others and situations. Every relationship you have and every person with whom you come in contact is an opportunity to improve your life and the lives of others.

If you know your purpose and are pursuing it, congratulations! If you're breathing, but not really living, lost your enthusiasm (or never found it), you've lost your purpose. Most of us are somewhere in the middle and can benefit from understanding and defining our purpose better. You are full of possibility, don't sit around thinking about what you can't do. Purpose is why you wake up in the morning, it's why you make a difference. We aren't here to sit back and do nothing. You make this world a better place for you and for those around you. What are you living for? Only you can define what that is. Without purpose, you will not have passion. Remember, everyone has purpose; somebody needs what you have. How can you help someone else? Seek to bring value to someone else's life as well as your own. **Happiness** is achieved by fulfilling purpose.

Vision

Purpose creates vision. Vision is the goal, your ultimate state when you have achieved success. Vision is how you benefit directly, it's the prize.

Don't allow where you are now and what's not working for you now to cause you to give up on your dreams. Visions can be modest and start small. When we find ourselves struggling, it is important to set a goal, see the vision at completion. Visualize the finish line to stay focused. A vision can be any result in any area of your life. Your vision is only measured by its importance to YOU.




**Just think about your purpose and
set your vision in your mind's eye.
It's uplifting and it's easy.**

What *vision* will YOU have? Do you have a vision now? Do you want to modify it? Modifying your vision is easy. Just think about your purpose and set your vision in your mind's eye. You certainly have control of your mind. Setting your vision is uplifting and easy. You can just choose to do it and it's done.

Choice

We all have the same 24 hours in a day. How we choose to use them determines who or what *Owns Our Lives*. In figuring out the priorities for investing our time, we truly find out what is important. In the next chapter we will do a simple exercise to see how we are investing our time. Let's put this into better perspective. There are 168 hours in a week and you are awake more than 100 of those hours. Whether you do it consciously or not, you are choosing how to invest, spend or waste each one of those hours each and every week. Are you making optimal choices?



**You have the freedom to choose
that which makes you happy.**

By choosing to let circumstances run your life, you don't *OWN Your Life*, but rather are being run by those circumstances. You have the freedom to choose that which makes you **happy**. Make no mistake, *Own Your Life* is a proactive choice. Only you can make that choice. Not making a choice to *Own Your Life* is equivalent to choosing NOT to own it. Choose to *Own Your Life*.

Happiness

The simplest measure of whether you *Own Your Life*, is if you're happy. As stated above, you achieve happiness when you fulfill purpose.

When you consider what's most important to you (i.e., purpose), think in positive terms and keep your mind open. Hopefully, you can identify purpose and aim high. Don't settle for just being content. Think about what will bring you true happiness.

You probably have several purposes in your vision. When you do, part of achieving happiness is achieving balance in your life. When we balance all the different areas of our lives, we and those around us enjoy happiness. Balance is different for everyone because we all have different purposes, roles and responsibilities.



You achieve happiness when you fulfill purpose.

After health, happiness is our #1 priority. Our goal is to be happy. How do we achieve happiness?

Figure 1-1 summarizes the steps along the path. First, we absolutely must accept that we can **control** at least part of our lives. Usually, we can control most of our lives, a lot more than for which we give ourselves credit. How do we know *what* will lead to happiness? We must have **purpose**. You achieve happiness when you fulfill purpose. Once we are able to see our purpose(s) clearly, we can create a **vision** of where we ideally want to be when we are happy. Creating our vision is uplifting and compelling. Going forward, there is no excuse not to create or modify your vision. However, creating your vision doesn't happen by itself. You must make a **choice** to create your

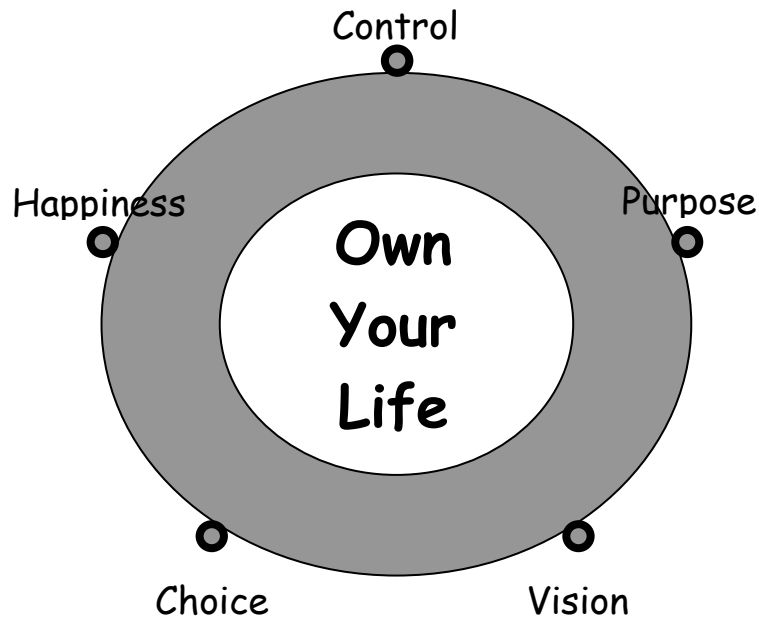
vision. You must make a choice to formulate a plan and execute the plan to achieve happiness. You can do this because you are in control of your mind.

That's how you achieve **happiness**.

Each one of these steps outlined above happens in your mind. As you are sitting and reading this, you could do all these things in your mind. You might be reading this in bed, on the train, in your armchair or wherever. You can go back, read each section of this short chapter and simply set a switch in your mind to focus on control, purpose, vision, choice and happiness. You don't need anything else to do this except your mind. Let's be clear, it happens in your mind, but success and accountability happens with a written plan. You can do this.

In order to proceed up the path to happiness, we should take a look at the current state of our lives, define our purpose and create or refine our vision. The next chapter will walk us through these steps. It will be easy, uplifting and useful. Once we complete these steps, we will be able to formulate a practical plan to achieve happiness. This book is first and foremost about *Owning Your Life*. Every decision described in this book will be related back to *Own Your Life*. So let's start.

Figure 1-1: What is Own Your Life?



Rebuilding

Sometimes, we don't have a choice when something happens. What we do have is choice immediately after an event. In 2005, during Hurricane Katrina, individual residents could not stop the water from decimating their homes and devastating their lives. Then the water receded and people had choices. Some people took back control of their lives, redefined their purpose, set a vision for themselves, made choices and rebuilt their lives, either in New Orleans or somewhere else. Others felt they could not take control and are still living with the consequences of Katrina.

Near the end of World War II, (from Jan 27 to May 5, 1945), allied soldiers liberated more than 100,000 slaves in concentration camps in Europe. Each person liberated had a choice what to do next. Within a few years, most of the people liberated were not victims. They took control, redefined their purpose, set a vision and became contributing members of society. It should be remembered that these people lost their families to murder, had all their material possessions stolen and were subjected to dehumanizing experiences, all outside of their control. Most of them survived, then thrived.

This is what rebuilding is all about. So, when we are having a bad day or think that our jobs are too hard and that circumstances are just too difficult for us to regain control, we must realize that we DO have choices. Just like survivors of Katrina, the Holocaust survivors, earthquakes, tornadoes and tsunamis, we each must decide whether to take control of our own lives, understand our purpose, set a vision and make choices. Then we can get back on track and move forward on the path to happiness.

Summary

- *Owning Your Life* is not about money, it's about identifying what's most important to you and then mapping out a path to live the life of which you dream.
- The goal is happiness.
- Money does not create happiness.
- In order to be happy, you **MUST** be in control of your life.
- In order to be happy, you must know your purpose, which means understanding what's important to you.
- Once you understand your purpose, you can define your vision.
- After you define your vision, you have to make choices.
- The first choice is to pursue your vision. When you make this positive proactive choice, reading the rest of this book will lead to success.
- Make your choice now.

Chapter 2

How to Own Your Life

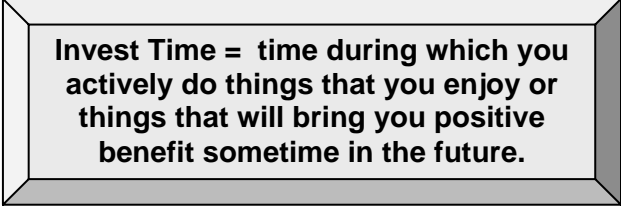
Where Are You Now? – Analyze

In this chapter, we will provide several simple tools and guidelines to establish where you are right now and where you want to be in your quest to *Own Your Life*. You should enjoy the exercises and the insight and clarity they will provide about who you are and where you are going. You will be able to benefit regardless of how far along you are in achieving happiness.

Let's start with a simple way to measure how much you *Own Your Life* right now. This measure will also allow you to very simply set a goal for where you want to be in the future.

The measure has to do with how you “spend” your time. We want to define three categories for which you dedicate time in your daily life: *invest time*, *spend time* and *waste time*.

Invest Time = time during which you actively do things that you enjoy (that are legal and ethical) or things that will bring you positive benefit sometime in the future. Examples of “investing time” is quality time you have with family/friends, getting an education, hiking in the mountains, engaging in hobbies, experiencing spiritual activities and volunteering in a soup kitchen. Take a few minutes and write down things you enjoy or things you could learn that would make your life better. Be sure to include in your list, things you enjoy in your daily life (at home and at work), not just going to Hawaii on vacation. Try to be as specific as possible.



Invest Time = time during which you actively do things that you enjoy or things that will bring you positive benefit sometime in the future.

Your goal should be to **invest** as much time as possible of your waking hours to enjoying yourself in activities that are legal, ethical and that bring benefit and value to yourself and to those around you.

Spend Time = time during which you actively do things that you don't enjoy, but that will have negative consequences if you don't do them. Examples, include working on your tax returns and going to the bathroom.

Waste Time = time during which you engage in activities that you do not enjoy and result in negative consequences.

Your goal should be to “invest” as much time as possible.

For example, if you really enjoy your job, get to dedicate a lot of quality time with your family, belong to a bowling league and are a den leader in the Cub Scouts, you might be “investing” 80% or so of your time. That is a pretty high percentage. Some of us really do “invest” about 80% of our time, “spend” about 10% of our time and “waste” about 10% of our time. As much as we would like to achieve zero waste, it's really hard.

In contrast, a lot of people don't like their jobs. If they “spend” 8 hours each weekday out of 16 waking hours, they probably don't even have the opportunity to “invest” anywhere near 1/3 of their time. That's a shame because we only have so many years on this earth and it would be a lot better if we didn't “spend” more than half of our waking hours on things we didn't enjoy. Instead, invest in things that get us to a better place later (like education and reading this book).

To further drive home this concept, we stopped saying “spending time with our kids”, we now say “investing time with our kids.” This simple change in language results in a change in attitude. It is a sign that we *Own Our Lives*. In contrast, do you know someone who is in a marriage that is somewhat less than desirable? Do you think that when both spouses are home together, they can say that they are investing time?

We recommend that you put down the book for a few minutes and truly “invest” those few minutes to estimate the percent of your time you are “investing,” “spending” and “wasting.” Consider your approximate waking hours over the period of a week (including weekend). Are you 80%

investing, 10% spending and 10% wasting? Are you closer to 80% spending, 10% investing and 10% wasting? You don't need an exact number, a ballpark estimate is just fine. Feel free to write your numbers on the worksheet below. Write them in pencil because you might want to change them sooner or later. You might feel good about these numbers or feel bad about these numbers as they are today. But you should feel good by recognizing that you have the power to change those numbers and shift more hours to the "investing" line. You can move the numbers by proactively choosing to do so. More on that later.

Investing Time Worksheet - Today:

Today's date: _____

% of Time I Invest: _____ %

% of Time I Spend: _____ %

% of Time I Waste: _____ %

Now that you have invested a few minutes characterizing your life as it is today, let's invest a few more minutes defining where you might want to be 6 months, a year or five years from now.

Investing Time Worksheet - Goal:

Date in the not too far future: _____

% of Time I Invest: _____ %

% of Time I Spend: _____ %

% of Time I Waste: _____ %

Congratulations! You have just set one of your *Own Your Life* goals. That was easy. Setting specific, measurable and time-defined goals is a very important step to achieving happiness. We recommend celebrating this accomplishment with a small reward. It is important to recognize and celebrate successes, large and small. More on that later.

Now, let's take a good look at the underlying fundamentals of *Own Your Life*. We introduced these in Chapter 1 – What is *Own Your Life*, but now we will dig a bit deeper into *Control, Purpose, Vision, Choice* and *Happiness*.

Circumstance - Take Control

Circumstance is passive, it's something that is acting upon you. However, you do not need to be controlled by your circumstances or environment. No one starts out where they want to be and we all have things that happen around us. Take control. You decide what you will let in and affect your life. Circumstance is not just about what we cannot control, but what we let control us. Recognizing that and deciding to take the next step to proactively plan and live within those circumstances with purpose and vision will change your life.

Sometimes people are not satisfied with their overall situation. Often, though not always, it's because they feel they cannot take control. Well, here is a simple life lesson.

There are only three things you can do
in a difficult situation:

- [1] **fix it**
- [2] **live with it**
- [3] **leave it**

We have challenged many people over the past two decades and there really is no fourth option. So, first you try to FIX-IT. This is a "take control" solution. If that doesn't work you really do have only two options left: LIVE WITH IT or LEAVE IT. If you can live with it, OK. We hate to say it, but if you can't fix a difficult situation and you can't live with it...the only option left is "leave it." This is why changing jobs sometimes works or why going to a battered women's shelter is the best available option or going into foreclosure is the only way out.

When facing a difficult situation (like divorce, being in a war or having a medical problem that requires surgery) we must analyze FIX-IT, LIVE-WITH-IT or LEAVE-IT. We need to look at the three options logically

without emotion and come up with a game plan. **FIX-IT and LEAVE-IT are the two options in which you can take control.**

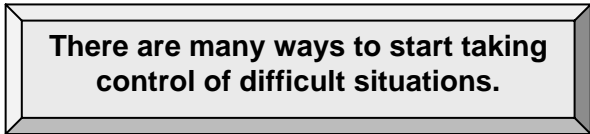
Are you proactive and taking initiative, or reactive when everything is falling apart?

Ideally, you are taking control of those parts of your world over which you have influence. If you are out of balance, it may be because you are not taking enough control or you are taking too much control. It turns out that if you are taking too much control, you might not be in control at all. The latter is called “overcommitment” and will be addressed below. In either case, you need to choose what to control in order to *Own Your Life*. The basis for the solution is to define your purpose and vision. But first, let’s help identify when our control issues are out of balance.

Overly Passive & Reactive to Circumstance

If it’s raining and we must go outside to go to work, we can choose take an umbrella. We just don’t have control over the weather. All we can do is adjust our lives to the fact that it’s raining (use an umbrella, wait until it stops, work from home, etc). There are a lot of things over which we have no control. But sometimes we make the mistake of perceiving that we have no control over things that we can actually influence. These are the situations when we may be overly passive and just reacting to circumstance.

Many people are not happy at work. A recent survey showed that only 14% of employed workers are “very satisfied” with their jobs. Many unhappy workers blame the company for the fact that they are not happy at work. Is your job something that “happens” to you? Maybe you really can’t change the company, but is there really nothing at all you can do other than respond to the situation? Can you change your immediate boss by asking to transfer to another department or interview with another company? Can you go to school at night and learn another profession that will provide greater options? Can you start a small side business? There are many ways to start taking control of difficult situations.



There are many ways to start taking control of difficult situations.

Some of us spend all too much time putting out fires and running from one problem to another. This is being reactive to circumstance. Most of that time is truly “spent,” not invested, but may have negative consequences if unattended.

The bottom line is that when we find ourselves reacting to circumstance, we need to see if we can take control or partial control of the situation and if so, do it.

The other extreme from being passive and reactive is overcommitment.

Overcommitment

Consider where you’re currently investing, spending and wasting time. Is there a balance where you are personally feeling fulfilled as well as caring for and fulfilling others? Are you relaxed and with clear thoughts focusing only on what you’re doing at that moment, or are you proud of the “multi-tasking” abilities you now exhibit daily? Are these situations of “multi-tasking”, being overwhelmed, or “no I’m not ignoring you” moments seem to be happening more and more? Many adults are suffering from self-inflicted Attention Deficit Hyperactive Disorder as a result of overbooking themselves.

Have you ever thought “I have too much on my plate” or that you were having a “senior moment” when you couldn’t seem to remember what you were just doing? Well, when you’re not even 40, it’s not a senior moment. Maybe you’ve even gotten as far as the apologies and white lies. You know what we mean when someone calls to ask about something you were supposed to do and you have to apologize because it totally slipped your mind. Even worse when you “bend the truth” to cover up the still unfinished job that never had a chance of getting done on time. When you get to this point, everything in your life is a reaction. There is no time for purpose or planning. No time for leading, laughing, enjoying or remembering. Maybe it’s time to think about investing time.

If you are already in control, the situations in the previous paragraph are foreign to you. That’s good. If you’re not there yet, you have something to look forward to.

Happiness is not about saying ‘yes’ to everything, though it’s also not about saying ‘no’ to everything. You need balance and you need priorities. When

life gets crazy because you said 'yes' to all requests, you find that you are anything but happy, and all you were trying to do was help someone. Sure, you are a very worthy person when you help someone out while sacrificing your own personal needs and issues. But if that help throws your life out of balance, you may want to reconsider how to handle requests in the future in order to assure that you can continue to do good for others by not being overloaded.

Consider for a moment the instructions you get when you get on an airplane. The flight attendant tells you that if the oxygen masks drop, you must put yours on first before you assist others, including your own child! Are they crazy? I'm not going to let my daughter gasp for air as I take care of my selfish need for oxygen! Well, you really need to put your mask on first and you have nothing to feel guilty about. In order to help your daughter put on her mask effectively, there can be no doubt that you must be in top functioning shape to assure that your daughter is properly taken care of.

If you're overcommitted in your life, are you putting on everyone else's mask first? How's that working for you? How's that working for them?

Look at your life and decide what fits your purpose and those that are important in your life.

Roles - Where Do You Invest/Spend/Waste Your Time? - What is Your Purpose?

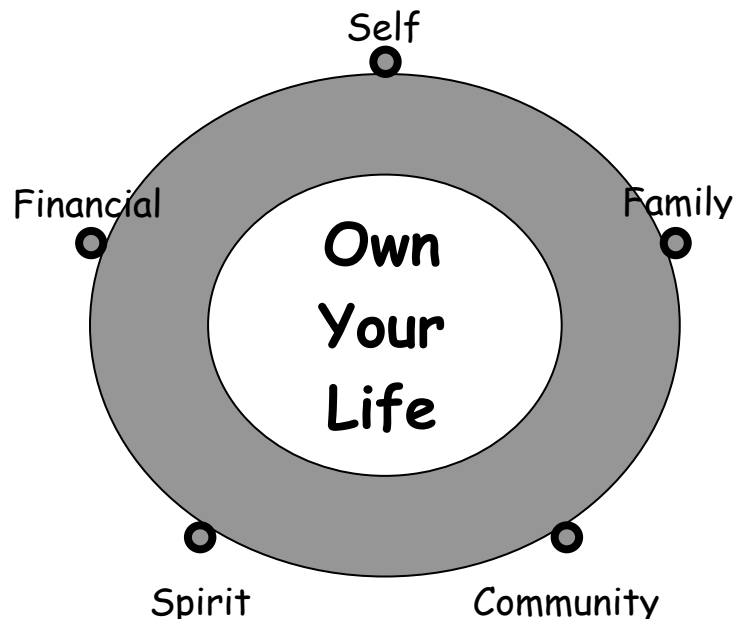
We all have people and responsibilities in our lives that take up our time. Whether you like it or not, where you invest/spend/waste your time defines what is important to you. This must be true or why would we waste our precious limited time on something that wasn't important? The answer is because we don't stop long enough to take a look. When you want to embark on a diet, you are told to write down everything you eat to see what patterns there are. Are you eating too late, too large a portion or all the wrong stuff? Only after you study the information do you see what should have been so obvious. It's the same with how we invest/spend/waste our time.

We find our purpose by looking at who or what is important and then create a balanced life around that.

When you wrote down your percentage of time invested or if you were to write down where you spent every hour for an entire week, would you be surprised by the results? If you're reading this book and are looking to *Own Your Life*, then you probably were surprised by the results. As we've already stated, life creeps in and we're forced to react. Well, that will continue to happen until we look at what's important to us and in what we choose to invest our time. We find our purpose by looking at who or what is important and then create a balanced life around that. We assign roles to whom and what is important.

Figure 2-1 shows the roles in our lives. Let's explore and define our roles in each category.

Figure 2-1: Roles in Life



Self

Self has to do with the things we do for ourselves without regard to what we do for others or what others may think about us. The needs of self vary from person to person but some are common to all, such as taking care of your health. We all deserve to be happy and to invest at least some time doing

things about which we feel good from lofty goals such as running a marathon down to just taking a relaxing bath or going fishing. These are things we do for self. As authors, writing a book is a form of “self-actualization” (see Appendix for a discussion of Maslow’s Hierarchy of Needs”) since it creates a sense of accomplishment that is separate from recognition by others or helping other people *Own Their Lives*.

As we look at self purpose, we wonder how essential this is. Do we need to schedule time for ourselves? Yes. Aren’t we happy when we do things for others? Sure, but we need balance and we need to take care of ourselves, because without health there is no happiness.

Sometimes self is out of balance. Some of us are underactive and some of us are overactive. Taking care of self might mean going to the gym instead of passively watching too much TV. For others, taking care of “self” might be going to the gym instead of working 100 hours a week. Both persons are going to the gym, but one is taking care of self by becoming more active and the other by becoming less active.

For those of us who are overcommitted as discussed in the previous section, as we take on more and get less sleep we weaken our immune system. If we get sick, we’ll be down and spend more time getting well. By taking care of self first, we guarantee we will be strong, relaxed, and refreshed for everyone else. Our focus and commitment will be that much more. Just like when our children miss their nap, it’s crazy chaos after that. If only our children could tell us how we were behaving.

After we take care of our health, let’s not forget that taking care of “self” includes doing things we enjoy (that are legal, ethical and don’t cause harm). Examples may include gardening, bowling, dancing, watching funny videos on YouTube or whatever else makes you feel good.

***Owning Your Life* is all about “self”
empowerment. Only you can decide
whether you want a better life.**

When you meet the needs of self, you are doing things that make you feel good or are good for you even if others may benefit. When a craftsman makes a custom piece of beautiful furniture for a customer, there is a moment

of stepping back to admire the job well done before handing it over to the customer. During that moment, the craftsman is meeting a need of self. It has nothing to do with making money from his work. When teachers and nurses feel they have changed the lives of others, they are certainly making positive impact on the community, but the pride they feel in helping others is meeting a need of self. Whenever you do the best job you can do, especially when no one would know if you didn't, you are achieving a high level of self-actualization (again, see Maslow's Hierarchy of Needs in the Appendix).

When you give charity, the primary contribution is to "community" (this role is described below). But when you give charity or donate blood and the recipient doesn't know who you are and your friends and family don't know that you gave, you are also meeting a need of self. The point is that in many situations where you are helping others, you also may be achieving the purpose called self as a collateral benefit.

This book is an investment in self as well. When you bought this book, you were probably thinking it was all about finances, but really, *Owning Your Life* is all about self empowerment. Only you can decide whether you want a better life.

When you fulfill your purpose of self, you are able to *Own Your Life*.

In the next section you will continue to set goals and define your vision for yourself as well as the other roles in your life.

Family

The family purpose is simplistic in nature, to create and live in an environment that is loving, supportive and respectful. But wait, how many roles do you have in your family? Are you a spouse, a partner, a parent, a guardian, a child or maybe a sibling?

Each of these roles has different responsibilities and ultimately different goals. Many people say family is the most important thing to them. But do their lives and decision making represent that? Are we being the best we can be? Is the craziness of everyday life making us tense and stressed out when we come home? Are we taking it out on our loved ones? Let's say you come home agitated from a bad day at work and your daughter proudly waves a painting in your face she made at school. If that stops you in your tracks, you smile and say a few words of admiration, you just fulfilled the purpose of

family. In fact, your daughter fulfilled HER purpose of family as well! When you give a card to your mother on Mother's Day or go to a cookout at your in-laws who you may not be fond of, you're meeting the needs of family.

Would you like to read a book with your 4-year old every night at bedtime? This is among the most rewarding activities that contribute content to the lives of a parent and child and it costs nothing except time. Then again, you may have to rearrange your life to have that time available.

Even though we may not be able to control the chaos of the outside world, we are able to control our reactions because of the commitment we have to our family purpose. How many of us answer the phone during meals? At the other extreme, how many of us sit with a beer watching football all day Sunday without taking 30 minutes to play catch with our children? Are our families really getting the best of us? When self and family are in balance, we can watch the whole football game AND play catch with the kids. When we get to "spirit" below, we can even achieve balance by watching the game, playing catch and going to a house of worship on the same day.

Now would be a good time to refine the vision you have for your family.

When you fulfill your purpose of family, you are able to *Own Your Life*.

Spirit

Your spirit or spirituality may be the glue that is holding you together. Many find their religion to be a guiding force in their life. Others find fulfillment of purpose for their well-being (other than the physical aspects) through the various forms of spiritual beliefs and practices such as yoga, Reiki, Qi Gong, healing or numerous of other approaches to spiritual well being.

You should seek out whatever it is that rejuvenates you and gives you purpose in life. We are not specifically promoting any religion or other spiritual approach to life, we are just saying that if you find inspiration in your faith, you should definitely include this aspect in your *Own Your Life* goals and personal master plan.

When you fulfill your spiritual purpose, you are able to *Own Your Life*.

Community

What could be your purpose to the community? How can you help or add benefit to others? This is where many of us give back and feel great about ourselves as a byproduct. Look at where others have committed their time to understand the role of community service. We can coach our kids' sports, volunteer for adult literacy programs, participate in a Habitat for Humanity project, work on a bake sale, be a SCORE business advisor, volunteer to be a room parent/grandparent, help out in a park clean up day or become a den leader in the Cub Scouts. Community service or purpose can be an area where we truly can have multiple benefits. When committing to community service, we not only feel great ourselves, but we can involve our family/friends and enjoy investing time with them.

Community is where we have relationships with or add benefit to others. Our friendships and personal relationships outside of family are considered part of Community when we define our purpose. Investing time with friends can not only refresh you, but also provide enjoyment and rejuvenation for them. The invested time helps recharge our batteries and gives us a clear mind to refocus on our other relationships and areas of concern. Remember that we are talking about relationships and if someone is important to you, you need to make a conscious effort to focus on their individual needs as part of your purpose for community. Keeping things in perspective, you are important too and your needs should be no lower on the list.

Achieving balance in our roles and relationships is a key to happiness and *Owning Your Life*.

When you fulfill your community purpose, you are able to *Own Your Life*.

Financial

If purpose can be at least partially defined as being successful in your role or relationship, then a *career* purpose would be to be an asset to the company you work for (regardless of whether it is your company or someone else's). In doing so, you are hoping for continuous employment as you work hard. Well, what happens when something changes in the company or economy? Does the company look at its role as employer and strive to keep its employees working? What are you doing to ensure your financial future?

Your role as an income earner means that you need to have income. Later in the book, our goal will be to show you how real estate can help fill that need. After you see how real estate can change your financial needs, you may want to explore other areas of interest for your income.

What are you doing to ensure your financial future?

In addition, do you enjoy your career? Many people do, many people don't. Part of *Owning Your Life* includes doing what you enjoy in your career. We're getting ahead of ourselves, but imagine if you could have the full-time career in a profession you know you would enjoy. We will show that real estate investing, even on an occasional part-time basis, could provide enough income or retirement supplement for you to engage in the enjoyable occupation of your choice for those eight hours each day.

You can fulfill your financial purpose by having a job, being an entrepreneur, being an investor or any combination of these. Everyone needs income to sustain themselves. Your financial role may not be as philosophical as your roles of self, family, spirit or community, but success in this role is an essential component that affects your other roles.

Before leaving the subject of financial purpose, it is worthwhile to note that the baby boomers have started to retire. Some in this large segment of the population have not been able to accumulate enough wealth to provide for a secure retirement. If you do not fulfill your financial purpose to the degree that you can reliably put food on the table every day of your life, you cannot *Own Your Life*. A major part of this book will address how to resolve this in a highly effective, achievable and practical manner.

When you fulfill your financial purpose, you are able to *Own Your Life*.

This book will show you how.

When we neglect any one or more areas of our lives, we are not in balance and eventually something or someone will be affected.

If we neglect **self** we can lose our health, drive, or enthusiasm. If we neglect **family**, we can damage personal relationships and even end up in divorce. If

we neglect **financial** we are jeopardizing our livelihood, job and future. Even **spirit** and **community** need balance, because we are thinking and feeling social beings that live in a world that is bigger than ourselves. We must function and interact effectively with all components of our environment.

Now that we have described the various roles in life shown in Figure 2-1, it's time to get specific and define YOUR personal *Own Your Life* goals and put them in writing. Wharton Business School once taught about how to write a business plan, and they said "if it ain't writ, it ain't thunk!" So let's write.

Where Do You Want to Be? Plan Goals - What is Your Vision?

Earlier, you wrote down your goals for "investing" time. That was a good start and overview. Now we are asking you to put meat on the fuzzy goal for investing time by sitting down and thinking about your personal *Own Your Life* roles. What purpose(s) do you have? What is your vision or goals for these roles?

Beyond your purpose, do you have a specific vision of what tomorrow will be? Before you know it, years pass and some feel cheated that they didn't do more. If you don't know where you're going, how can you get there? You need a plan, a roadmap of how to get there, a plan to succeed. Success is not accidental. Like before, you don't want to only focus on one or two areas of your life. *Owning Your Life* is about having vision in all areas of your life. Seeds of greatness are waiting to take root and blossom.

**You don't want to *Own Part of Your Life*,
you want to *Own ALL of Your Life*!**

In order to truly *Own Your Life*, you must have specific goals for EACH of the roles or relationships in your life. You don't want to *Own **Part** of Your Life*, you want to *Own **ALL** of Your Life*! If we felt that you wanted to *Own **Part** of Your Life*, like the financial part only, we would have written a book about real estate investing only. This book is not about money. **This book is not about owning buildings, it's about *Owning Your Life*.**

So the rest of this chapter is dedicated to putting together your very specific and very personal plan to *Own Your Life*. We will refer back to this plan in

every chapter of the book. We believe that it's crucial for you to construct your *Own Your Life* plan and we'll walk you through this logical and uplifting process. You not only have a choice, you are in control.

Overview of Constructing Your Personal *Own Your Life*

Plan: We will start by helping you define your personal *non-financial* goals. We will then advance to the next stage by helping you translate these non-financial goals into how much money you will need to accomplish them and when. The rest of the book will show you *how to* achieve those financial needs by investing in real estate. When you finish reading this book and doing your homework, you will have a customized plan for *Owning Your Life* and you will have the tools and expertise to make excellent decisions for YOUR personal life and YOUR location.

So, let's start by defining your non-financial goals.

Goals need to be S.M.A.R.T. = Specific, Measurable, Achievable, Relevant and Time-defined. Goals should be written in the present tense and with a date attached.

If you want to *Own Your Life*, you should set SMART goals for each of the roles in your life. This is shown in Table 2-1 – the *Purpose & Vision Worksheet*. You should match your goals and vision to your roles and purpose. As you make progress in completing Table 2-1, you may find that you will be faced with making choices. That is very good. You will likely discover what your true values are and what are the relative priorities in your life. That is good too. This should be an invigorating experience.

We recommend beginning with a one week goal or vision, so you can see progress immediately. From there you can push yourself a little more and have your goals be more challenging. You may want to set goals for the short term, midterm and long term.

Below is an example of a set of “self role” goals for a desired outcome.

1 week	Run 20 minutes	(March 3 rd)
30 days	Run 3 miles in under 25 minutes	(April 1 st)
3 months	Weigh 155 pounds	(June 1 st)
6 months	Run 5K Race at Cooper River	(September 1 st)
1 year	Weigh 125 pounds	(March 1 st)
3 years	Climb Mt. Everest	

Table 2-1: Purpose & Vision Worksheet: Matching YOUR Goals and Vision to YOUR Roles and Purpose

Roles (Purpose)	Goals (vision)				
	1 week	30 days	3 months	6 months	1 year
Self					
Family Spouse Life Partner Parent Sibling Child Household					
Financial Career Entrepreneur Investor					
Spirit					
Community Friends Service					

Living for Purpose Today & Vision Tomorrow – Implement - Make Choices

Once you identify your purpose, set goals to match each one (Table 2-1), you will be driven by your purpose and have a roadmap to follow to success. This is your personal and customized recipe to achieve happiness. Taking it one step further, you can convert your roadmap to a plan of specific action steps you can be doing on a daily basis to support your vision. This is the action plan. Once a week, sit down and map out your week making sure to include things that will support all of your roles. By looking at your goals you can schedule things that will get you there. This is the every day plan. This is

how you pay for college and plan for retirement. It doesn't just happen. You need to take action and put procedures into place.

Following is a simple weekly action plan for one goal for self. For a weekly action plan form, go to www.WeBuyHousesSometimes.com

Example: Weekly Action Plan for Fitness Goal (Self)

Mon	Tue	Wed	Thu	Fri	Sat	Sun
Run 3 miles	Gym 45 min	Aerobics 30 min	Rest	Aerobics 30 min	Run 5 miles	Gym 90 min

Where will you get the motivation to execute your plan? The answer is **visualization**. What you will be visualizing is the final successful outcome and victory when the goal is achieved. Visualizing the process of achieving the goal is helpful, but not as compelling as visualizing the successful outcome itself. For example, if your goal is to climb Mount Everest, visualize standing at the summit. You can visualize the climb and how you might overcome certain obstacles. But your deepest motivation will be driven by your vision of standing at the summit looking down at the other snow covered peaks and saying Wow! Think about the actual final outcome over and over and you think 'I can't wait to actually be there and feel that sense of achievement.' Your Mount Everest might be the day you become debt-free, hugging your kids at Disneyland or delivering presents at the homeless shelter just before the holidays. Define and visualize your personal visions for each purpose.

A great time to visualize is when you go to sleep. Think of the inside of your forehead as a movie screen (it has the same shape, doesn't it?). You get to write any movie script you want. You are the star. Close your eyes and project the movie you wrote on your built-in screen. Do this night after night. You'll be handing out presents to needy children in no time or whatever happens to be on your personal list in Table 2-1.

Now that you have the plan and visualization of the victory, you will have the motivation and self discipline to follow through and get it done. Your plan should work because you systematically defined your purpose, roles and vision and then you translated that into specific goals. In this chapter, we will convert these goals into financial needs. In later chapters, we will show how your financial needs can be achieved by using specific investment strategies.

So, we hope that you are diligent in completing your analysis of the invested time, purpose and vision.

Translate Your Vision and Non-Financial Goals into Financial Needs

You have already done the toughest part of your homework and that was to define your vision and non-financial goals. That was not easy. You had to figure out your deepest values. You're ahead in the game. Most people are never asked to do this. You should be proud.

It gets easier from here. The next step is to make a list of the specific activities and events that you determined for your goals in Table 2-1 – *The Purpose & Vision Worksheet*, that need money to be achieved. We've listed activities and events in the left hand column in Table 2-2 – *Funding Your Life*. Feel free to add others specific to your situation.

You will note that in Table 2-2 – *Funding Your Life*, we provided four columns for each activity/event. They are:

- \$ Now
- \$ Soon
- \$ Later
- \$ Much Later

This will be an important recurring theme through the entire book and that is that **our need for money is very dependent on time**. *Cash Now* means 0-1 month from now. *Cash Soon* means about 2-6 months from now. *Cash Later* means about 1-3 years from now. *Cash Much Later* means more than about five years from now. This book will provide investment strategies to match each one of these time-needs for money.

**Our need for money is very
dependent on time.**

You can see where we are going with this holistic approach. Define your non-financial goals, then translate them to financial needs, then customize an investment plan to match your personal financial needs. Then, learn the details for executing each of the investment strategies.

To give you a cart-before-the-horse preview, we will also provide the tools to match your investment strategies to the stage of the market cycle in your particular location. The markets change with time and we will show you how to adjust your investment strategy as the markets change. Again, this book starts with your whole life needs and will help you navigate through the complexities of life and the complexities of a changing economic environment. Change is always happening, so you might as well have the training, strategic approaches and technical information to survive and thrive. That's what we intend to accomplish and as you achieve your life goals you will be helping us achieve our "community" goals as authors. Make sure to tell us about your successes as you achieve them, at www.WeBuyHousesSometimes.com.

Let's get back to Table 2-2 – *Funding Your Life*. For each activity or event in the left hand column, write the amount of money you will need to achieve your vision and put that amount in the appropriate box that corresponds to the timeframe in which you will need that money. For example, most people will have an activity entitled "Fund Retirement." If you are 30 years old, you will enter a number in the column "\$ Much Later." If you are 60 years old, you may enter the amount in the column "\$ Later." If your daughter is in first grade, you might enter \$150,000 in "\$ Much Later" for the activity "Fund College." If your son is graduating high school in a couple of months and you don't have the money for tuition in the fall, you might enter \$30,000 in the column "\$ Soon."

Please note that some of the items in Table 2-2 – *Funding Your Life*, may require little or no money. It is extremely important to include these as you need to remind yourself that some of the best things in life are free and you don't have to be rich to enjoy life.

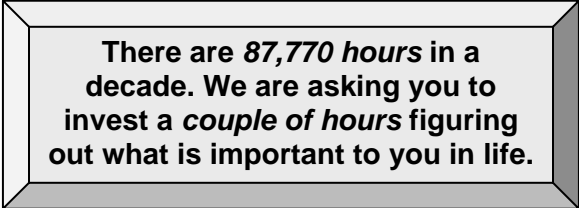
For example, how much money will it take for you to enjoy biking, fishing or yoga outdoors once a week? It might require only a couple of hundred dollars for a bicycle, fishing pole and/or gas money. Then again, it might require enough money to quit a second job so you can have the time to do these things. Let's say that you want to read a book to your child every night at bedtime. This activity can be a major component for your happiness that does not require any "direct" money, but you must have available time for this activity. If your current occupation prevents you from having this available time, you may require money to make the necessary changes to your life to achieve happiness. Think about such things when completing Table 2-2.

Table 2-2: Funding Your Life

Need/Want	\$ Now	\$ Soon	\$ Later	\$ Much Later
The Good Things in Life				
Invest 10 hours/week with family				
Fund Retirement				
Fund college				
New baby/adoption				
Take a vacation				
Stay-at-home parent				
Change career				
Pay for a wedding				
Buy a home				
Remodel a home				
Give to charity				
Fund private school				
Estate planning				
Start your own business				
Go fishing once a week				
Do yoga every day				
Volunteer 1 month for Habitat for Humanity				
Total				

Need/Want	\$ Now	\$ Soon	\$ Later	\$ Much Later
Planning for the Unknown				
Recover from divorce				
Reduce debt and/or repair credit				
Recover from job loss				
Caregiver for aging loved one or medical expenses				
Cope w/sickness/injury				
Recover from bankruptcy				
Fix vehicle				
Total				

When you finish writing all the dollar amounts in the four columns that will fund all your life purposes, goals, needs and wants, you should write the total for each column. These might be staggering numbers. Don't worry for now, we will show you investment strategies to address each one. One message of this book is that there is no single investment strategy that will meet every need in every market in every location. This is not a get rich quick book. This is an *Own Your Life* book that is tailored to your individual life. Maybe you're single and all you want is to have enough money for food and shelter and bequeath a large amount of money to the World Wildlife Fund. Maybe you're divorced with two kids and need to repair your credit. Maybe you're already retired and Social Security payments just aren't enough. Each of these situations is different and they each have different time-needs for money. It is reasonable to assume that different needs may require different investment strategies. It is further reasonable to assume that two people with the same exact needs in San Francisco and Indianapolis may need different investment strategies. We will cover all of this. But first you really do need to define your personal situation and that means that you need to complete Table 2-2.



There are 87,770 hours in a decade. We are asking you to invest a *couple of hours* figuring out what is important to you in life.

You might say, 'hey that's a lot of work!' Well, as the saying goes 'today is the first day of the rest of your life.' We assume you are planning to live many more decades. There are **87,770 hours** in a decade. We are asking you to invest a ***couple of hours*** figuring out what is important to you in life to *Own Your Life* and put a few numbers in a few boxes. C'mon. You can do this. You know that you want to see the result. Just do it!

You can certainly choose not to complete Tables 2-1 and 2-2. If that's your choice, you will not be ready to meet your needs and you will not *Own Your Life*. That's not what you want. If you don't choose to do anything, you are choosing to do nothing. We are confident that you want to be ready with a plan. Remember, whether you plan or not, your life will be proceeding from stage to stage. Whadda you say? You're gonna complete Tables 2-1 and 2-2? Good! We knew you would make the right choice!

As we all know, there are good things in life and there are challenges that must be met. We separated Table 2-2 into two sections, one for the good things in life and one for planning for the unknown. You don't have to do this, but we thought it might be helpful to consider events and activities in this way.

Once you've completed Table 2-2 – Funding Your Life, transfer the individual totals for *\$ Now*, *\$ Soon*, *\$ Later* and *\$ Much Later* to “***Your Personal Cash & Wealth Matrix***” shown in Figure 2-2. This is your bottom line. This is your friend, not your enemy. This is the “perspective from 30,000 feet” that is your target to *Own Your Life*. This *IS* achievable. We will show you how. That's what this book is all about.

As you have seen, we are big on visualization of the final outcome. We believe that the more you visualize the desired outcome, the more you will have the mental strength to persevere until you achieve the goal. You might want to consider making a copy of the *Your Personal Cash & Wealth Matrix* and posting it on your refrigerator or, if you're concerned about others seeing it, then put it on your bathroom mirror or put a copy in your wallet. Then, every time you make progress toward one of the numbers in any of the boxes, write up a new grid and place the old one in a drawer. As we will discuss in a minute, celebrate each time you put *Your Personal Cash & Wealth Matrix* in the drawer. Now, visualize a stack of old grids in the drawer and one big one on your refrigerator that show you have reached your goals in all four categories! The good news is that if you are diligent in setting your *Own Your Life* goals and diligent in the follow up, you will be *Owning Your Life* as you make progress, not just when you achieve the end result. *Own Your Life* means taking responsibility for your life and holding yourself accountable for your progress.

This is where the rubber meets the road. Are you ready for today to be “the first day of the rest of your *Own Your Life*?”

The Peanut Gallery - Rejection or Support

As you move forward in your quest for life ownership, others will notice a change. Surprisingly, we find that many do not support our pursuit of happiness. Maybe it's because *they* are not happy, or because they don't know how we found happiness. Do not be discouraged. Don't let their feelings and thoughts become yours. Even if your environment is not supporting your purpose and vision, stay strong. By continuing on your path

of ownership you are showing them that you make the decisions; you have choices. Soon enough they will want to know more and how they too can be happy despite the chaos that is going on around us.

Surround yourself with people that support you and are a positive influence in your life.

Following are a few suggestions.

1. If any of the spectators (in the peanut gallery) on the path to your success start to heckle you, share with them exactly what you are doing, how you are doing it and enlighten them that they can do it themselves. Lend them this book or buy them a copy as a birthday gift. This entire book is based on common sense and information that is readily understandable.
2. Surround yourself with people that support you and are a positive influence in your life.
3. Join your local real estate investors association (REIA). REIA's are full of people just like you that want to *Own Their Lives* and that already are *Owning Their Lives* at different stages from newbies to first time investors to part-time investors to full-time investors. They love to share their experiences with people like you who appreciate what they are saying, what they have gone through, what they have learned from their setbacks and their successes. You will meet with like-minded people with positive energy that prove it can be done where you live. Some of your local REIA members will have remarkable stories of turning around their lives that will be inspirational. You will be amazed at the heroism of people around you, like one of the investors in our REIA who was a homeless single parent and now has 30 rental properties and growing. Your REIA will give you exposure to training about real estate techniques that work with local evidence to prove it.
4. Invest in continuing education. All successful real estate investors started somewhere and most started with little or no money. Every successful real estate investor, whether part-time or full-time will tell

you that the cost of a training course usually pays for itself several times over on the very first deal. If you like what you read in this book, you can register for the live multi-day training course “*Own Your Life through Real Estate Investing*” that we conduct a number of times every year around the country. Check our website www.WeBuyHousesSometimes.com for updates, newsletters, regional seminars, articles, training, consulting, coaching and other useful and relevant information and services from our company, Own Your Life LLC.

5. Revisit your purpose, vision and goals in Tables 2-1 and 2-2 at least monthly. Measure your progress weekly.

If you’re reading this book, you’re motivated to make changes. Maybe your current life plan is not working for you and you currently don’t *Own Your Life* at all. On the other hand, maybe all you need are small course corrections. Regardless, you’re already motivated to do something different with your life. Don’t kid yourself, living with purpose is hard. We all fall back into the traps of being reactionary. Don’t be in the 90% that won’t do anything. By choosing to *Own Your Life*, you are choosing not to be a victim.

Celebrate Victories - Be Happy

When you reach a goal you set or any milestone, no matter how small, find a way to celebrate your achievement. Even workaholics need to pause for a moment to celebrate the victories during their addictive run to accomplish more.

You need to enjoy the journey, not just the arrival at the destination.

Identifying purpose in your life is reason enough to celebrate. Some people never take the time to even look or search themselves to truly find purpose for their being. Victories remind us of the journey and let us focus on what we did to get there. Victories make it OK to be a cheerleader for ourselves, which teaches us how to be a cheerleader for someone else around us. Encouraging others gives them support and encouragement while teaching us that our vision and purpose touches others as well. When we celebrate

victories, we have the power and strength to reach higher. We believe in ourselves and our ability to accomplish more.

If it requires effort, it should be celebrated. Was it challenging, inconvenient, did it require sacrifice or take time? Recognize that and give yourself some credit. You need to enjoy the journey, not just the arrival at the destination. Many people are walking around like zombies with little to no motivation, vision or purpose. You're motivated, have identified purpose and vision, and implement regular action plans to guarantee achievement of set goals. That is no small feat and should be recognized as such. If you don't celebrate victories, they start to lose meaning and you can forget what purpose you are seeking.

Some of us have reached the point where our expectations are so high and we are so hard on ourselves and others around us, that we don't take time to celebrate. Some of us continually overbook our lives with more and more stuff, activities that may or may not move us, all in a quest to find happiness. Once again, happiness is not a destination you reach if you finally arrive there at the pinnacle of sacrifice with drained energy and tattered relationships. Happiness is deciding to celebrate, and be happy now, for the effort put forth in your life and the lives of others around you.

We'd love to hear about your victories. To share your success and what *Own Your Life* has meant to you, go to www.WeBuyHousesSometimes.com. We will pick a "winner" from time to time and celebrate your success with you.

Adjust For Set Backs - Reanalyze Purpose

No matter how much balance and planning we do, there will always be setbacks that come up. Not everything will be happy. The reality is that we cannot control or plan for everything. The good news is if we've been working the program and living in balance, these setbacks will be manageable. These things are what make us go back to the basics. Go back and reanalyze your roles. Reconnect with what is important to you.

Setbacks in our lives can be job loss, aging family member/caregiving, divorce and even family death. These are extremely challenging situations and they do happen. When you have purpose, you are much better prepared to cope with situations which you cannot change such as the passing of a loved one.

One of the most classic examples on record is Professor Randy Pausch of Carnegie Mellon University who was diagnosed with pancreatic cancer. Professor Pausch gave the most outstanding and inspirational lectures about how to live life. Professor Pausch had purpose with seemingly endless limits. He coped with one of the worst diseases and achieved true happiness by focusing on his purpose instead of on his disease. If you want to hear an emotional and moving inspirational message, search for and watch the video entitled “The Last Lecture” by Randy Pausch. Professor Pausch *Owned His Life* and serves as a role model for us all.

Even if you do not have the superhuman spiritual strength of Professor Pausch, you can still cope with setbacks using the analysis of FIX-IT, LIVE-WITH-IT or LEAVE-IT described earlier in this chapter.

If you reanalyze your purpose and then analyze your options of FIX-IT, LIVE-WITH-IT or LEAVE-IT, you might not be able to change the reality beyond your control but you will be uniquely prepared to cope and adjust.

Reach Higher - Get A New Vision

Reaching higher is all about taking it to the next level. It’s about continuing to grow and learn. No matter how well you do and high you rise, there is always room for improvement. There is a Hebrew saying that says “Who is wealthy? He that is happy with his share.” What the sages meant was that you should be happy in the moment with what you have achieved, but that does not limit your ability to set higher goals for the future. You can always stretch yourself. Each person defined for himself how far he wants to stretch to *Own His Life*. That might mean taking a trip around the world or making ANOTHER million dollars but it might mean catching a big fish or breaking your lowest score golf game. It doesn’t have to require frenzied activity, but it should include getting the next level of whatever turns you on.

Now that you’ve reached the point where you have balance in your life, and have accomplished a vision or goal that you set, define a new vision. Go beyond the barriers of the past, believe you have what it takes. If you push yourself, your potential will grow. As long as you’re breathing, you have potential and purpose you have not tapped into yet. You will always have something to offer, just find a new vision.

One way you can reach higher may be to spread the word to someone else. You can help others *Own Their Lives* by sharing your experiences with them.

Summary

- The path to Own Your Life is
 1. Define your purpose(s) = success in each of your roles
 2. Match your vision to your purpose
 3. Define specific action plan with S.M.A.R.T. goals
 4. Choose to get the action plan done
 5. Celebrate your success when you reach any goal
 6. Once you reach your goal, expand your vision
- Surround yourself with positive people
- Share your success with others
- You are now happy!

Figure 2-2: Your Personal Cash & Wealth Matrix

<p>\$ Now <i>0-1 months</i></p> <p>\$ _____</p>	<p>\$ Soon <i>2-6 months</i></p> <p>\$ _____</p>
<p>\$ Later <i>1-3 years</i></p> <p>\$ _____</p>	<p>\$ Much Later <i>5+ years</i></p> <p>\$ _____</p>

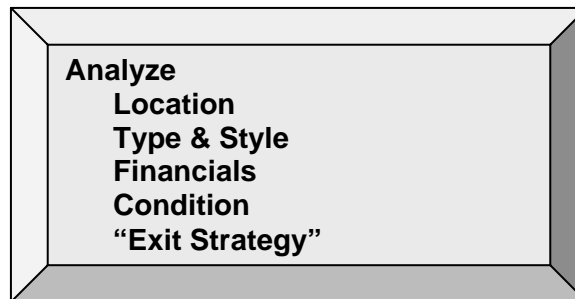
Chapter 10

Analyze

Select Investment Strategy

When deciding whether or not you will purchase a particular house, and at what price, you need to take into account a number of factors. The analysis of these factors is based on common sense and is easy, once you know what the factors are. Let's introduce these factors one at a time.

When considering a house, the first thing you find out is its address or **location**. We've all heard it before, Location, Location, Location. Yes this is important, but it's only one piece of the picture. The next thing you need to know before even going to see the house, is its **type and style**. Is the house a single family, twin, rowhouse, or condo? Is it a rancher, colonial, or capecod? How many bedrooms and bathrooms does it have? Does it have a basement and/or garage? The last thing we need to know before moving forward is the big picture numbers, or **financials**. What's the neighborhood going for, what has sold, for how much, what is for sale, how long have the current owners had it, and how much do they owe? After gathering information on the location, type and style, and financials, you should then be able to access the After Repair Value (ARV), and be able to make decisions based on that information. At that point you will be prepared to look at the house. Once in the house you can analyze the **condition** or repair needs, and ultimately using all of the previous items, make a decision on the **exit strategy**. "Exit strategy" is a term used in real estate to describe what you will ultimately do with a house. Will you sell it, hold it, refinance it, lease option it and in what time frame?



In this chapter, we will systematically describe each of these factors: location, type & style, financials, condition and “exit strategy.”

Location

The location of a house is a lot more than simply it’s address, although the specific address is quite important. We will see that location is primarily about the neighborhood or subdivision. Also important are the part of town and the town or city itself. As you radiate further away from the subdivision to the county and state, the characteristics of location become less important.

As described in the previous chapter, there are two ways to find deals: people bring them to you or you seek them out. Regardless of how you find deals, you are always choosing the neighborhood in which you will buy a house.

When wholesalers and real estate agents offer you houses, you don’t have control over where those houses are located. You DO have the choice which houses you will buy. When you choose which house you will buy, you are essentially choosing THAT location and THAT neighborhood.

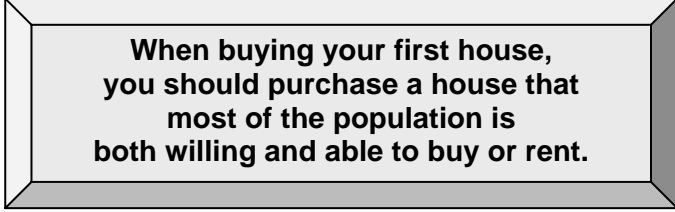
When you seek out the house yourself (by driving the neighborhood, calling listings or by other local networking & marketing), you are actively choosing the neighborhood ahead of time. In the next section we will discuss the methods by which you will choose which neighborhood or subdivision.

Neighborhood or Subdivision

When you buy a house for investment, you should always be thinking about who will buy or rent the house from you. Each neighborhood will attract a certain portion of the population. The “demographics” of the neighborhood will determine your ability to generate profit through positive ongoing cash flow, long term appreciation or short term upgrade from Buy-Fix-Sell. Demographics is a fancy word for the characteristics of the people who live in the neighborhood.

When we talk about demographics of a neighborhood for the purpose of investing in houses (residential real estate), the dominant factor is the **income level** of the residents. It’s a fact of life that people with higher income levels live in more desirable neighborhoods with better schools and lower crime rate. Does that mean that you should start your real estate business by buying

houses in the subdivisions with the highest income? Absolutely not! Why not? Because the subdivisions with the highest income residents are not very affordable, so not too many people will be able to buy your house or rent your house. If you cannot sell or rent your house soon after it is ready for sale or rent, you will start losing money very quickly.



**When buying your first house,
you should purchase a house that
most of the population is
both willing and able to buy or rent.**

Does that mean you should start your investing career by buying houses in the neighborhoods with the lowest income? Well, some investors do indeed do that and some investors don't. In low income neighborhoods you generally need less money to buy the house and many first time investors don't have a lot of money. In addition, in low income neighborhoods you can often achieve positive cash flow from rental. Lower income neighborhoods usually have many renters and the rent level is usually more than enough to cover your payments on the house. So, it is easy to find tenants in low income neighborhoods and it is easy to generate monthly cash flow.

Of course, the lowest income neighborhoods generally have a higher crime rate and the highest crime level and worst education. Many investors use a guideline for choosing location that is 'if you don't feel comfortable visiting your tenants in the evening, don't buy houses there.' In reality, the choice of buying houses in the lowest income neighborhoods is a personal choice of comfort zone. You can make money in any neighborhood and you can be a good and ethical investor in any neighborhood.

The previous paragraphs discussed buying houses in neighborhoods at the two extremes of income and affordability. At the high end, there aren't enough buyers/renters and at the low end, the neighborhoods aren't very desirable. As a new investor, you might want to seriously consider buying houses in the neighborhoods in the middle. Let's talk about the middle.

There is a lot of talk about the middle class. Politicians usually focus on the needs of the middle class. Why? Because there are a lot more voters in the middle class. That means there are a lot more people in the middle class. Similarly, there might be advantages to you as an investor to offer your

houses for sale and for rent to the largest portion of the population. Those are the people in the middle and they have an income “in the middle.” In fact, every location has a “demographic measure” called “median household income.” The median household income is a fancy name for the income level at which half of households make more than that amount and half make less.

You can go look up the median household income on the website of the US Census Bureau and the numbers are available for many levels of location from regions of multiple states to individual zip code. For us real estate investors, the median household income in an area is one of the best indicators for affordability of houses, availability of rentals, quality of schools, crime rate and overall desirability of the location.

So, when you’re considering where to buy your first house, you should think about what portion of the population is able to buy or rent your house. And the #1 characteristic of that population is their income level. We suggest for your consideration to start out buying a house in a location that the “average household” can afford.

That brings us to the next characteristic of the neighborhood that is easy to measure and analyze and that is “median house price.” The median house price is the price at which half of the houses in that location are selling above that amount and half are selling below that amount. You can get this number from your real estate agent and they can usually get this number for each neighborhood and the number will be very recent.

CHOOSING LOCATION – MEDIAN SUBDIVISION

I usually target buying houses in specific neighborhoods that have a well defined combination of affordability and desirability. My comfort zone is to buy houses within about 20% of the median house price in my county. I figure that these are the houses that most of the population is buying, so there must be something about those houses in those locations that balances affordability and desirability. That’s just my personal comfort zone. For example, I look to buy a median house in my county (median price is about \$220,000) from a motivated seller at 15% discount and sell it a few years later at 15% above today’s median price. Then I figure I can make about \$60,000. Since the house is just either side of the median house price, there should be enough buyers out there even if the market is weak.

Marc – part-time investor

So, when we think about location, we are primarily thinking about neighborhood or subdivision and we are measuring it by median house price. Median house price is the best place to start when considering the location for buying, selling and renting houses.

Median house price is the best place to start when considering the location for buying, selling and renting houses.

Once you have decided on the price range of houses you will buy, there will probably be quite a few neighborhoods that will meet your house price criteria. Sometimes you get to choose your target neighborhoods (called “farm areas”) and sometimes house buying opportunities are thrust upon you. How do you choose which of those neighborhoods should be acceptable or in your target farm areas? The first criterion should be one of practicality and that is how far are the target neighborhoods from where you live or work. You really should be able to easily visit the neighborhoods in order to get to know them well before buying and to be able to service the house during Buy-Fix-Sell or Buy-Rent-Hold. This usually means within no more than about an hour from where you live and much more preferably within a half hour from where you live.

Once you identify the neighborhoods that meet your price criteria and proximity, then you should consider other factors about the desirability of that location. Is it close to shopping and transportation? Do certain houses back up to a school or a commercial area? Is the house “on the wrong side of the tracks?”

Before we leave the subject of location, it is important to point out that house prices and affordability vary very widely from state to state, city to city and subdivision to subdivision. The topic of affordability will be discussed in great detail in Chapter 27 and data will be shown for 83 metropolitan statistical areas around the US.

One point that will be discussed in Chapter 27 – Affordability, is that you have to be careful when listening to the news about the US real estate market because your specific local real estate market is probably very different from the overall real estate market. The median house price in San Jose in 2007

was \$836,800 while in Indianapolis it was \$120,500. Obviously the analysis of location will be radically different in these two areas.

When we talk about analyzing location, we are usually talking about first choosing the subdivisions within your town or city as your target farm areas, although you can certainly invest in places that are more than an hour away or even across the country. You will quickly learn that there are plenty of deals in your backyard. In fact, we will show that good deals can be found in any market (see Figure 24-1 in Chapter 24). We think that choice of neighborhood is the first and most important decision regarding location. Then you can choose specific houses on specific streets.

So now let's talk about the characteristics of specific houses that you should analyze.

Type and Style

The type and style of a house has a great impact on the value of a house. It is here that we begin our comparison process. When a real estate agent or appraiser analyzes the value of a house, they compare the house with "similar" houses. The similar they speak about is in regard to the type and style. You will need to know what other single family ranch style homes have actually sold for in the last 6 months (or less in rapidly changing markets) to know what your potential single family ranch style home will sell for. Of course it doesn't stop there, you will need your comparison properties to have the same number of bedrooms and bathrooms. So what happens if no 3 bedroom, 2 bath, single family ranch homes have sold in the last 6 months? This is where appraisers make their money, they not only know what the value of each item is in terms of dollars, but their insurance policy will be there to cover law suits stating otherwise. Real estate agents use their experience and the numbers available to make estimates. If you look at the conservative side of the numbers, you should be playing it safe and have some wiggle room if necessary.

When you first get into buying houses, you need to learn what styles are typical for your area. One way is to simply cruise the neighborhoods, take pictures and label them with the name of the style. Sometimes, we forget that non-investors don't know the names. When we get a call from a motivated sellers and we ask to describe the house they will know that they have two

levels, but they may not know the terms such as bi-level, colonial, contemporary or others that could all be 2-story houses.

A 3-bedroom bi-level in a neighborhood will have a different price than a 4-bedroom in the same neighborhood. A 3-bedroom ranch in a subdivision will have a different price than a 3-bedroom colonial in the same subdivision. Two adjacent 3-bedroom townhouses will have different prices if one has a garage and the other doesn't. An extra half bath in an otherwise identical house in the neighborhood can change the price by thousands of dollars. Look for sunrooms, additions, attached versus detached garage, half baths versus full baths, yard size, number of legal bedrooms and anything else that might be different when comparing houses in the same neighborhood. You can even have widely varying ages of houses on the same street. If all the houses in the subdivision have vinyl siding in pastel colors and the house you are buying is the only one left with hunter green asbestos siding, this will affect price. Does your house have gas heat, electric heat or an underground oil tank? We are not yet talking about the condition of the house, we are just talking about type and style and that includes just about every characteristic that is not about the condition of the house.

When you are analyzing type and style, make sure you are looking for ALL of the type and style characteristics of the house. The goal of discussing type and style is really to assist in the determination of the After Repair Value (ARV) of a house.

Financials

What's the neighborhood going for, what has sold, for how much, what is for sale, how long have the current owners had it, and what do they owe? After gathering information on the location, type & style, and financials, you should now be able to assess the After Repair Value (ARV), and be able to make decisions based on that information.

Does the purchase of this house make sense? Is it worth your time to go look at it? It's always good to know as many numbers as you can before looking at a house. Imagine if you drove out to see a house, sat with the owner, reviewed the house, estimated repairs, and then asked for the numbers only to find out that the seller owes more than the house is worth. *Own Your Life* is about valuing your time. Never be so motivated or desperate to find a deal that you try to make it a deal when there isn't one. If a real estate agent

brought you this deal, they would not only know that you need the numbers for the neighborhood, they should bring them to you when presenting the deal. If you found out about this house from the newspaper, or even better if the seller contacted you directly, you will need to ask your real estate agent to provide you with some information on the surrounding area. What have similar homes **sold** for? How long are houses typically sitting on the market waiting for a buyer? How many similar homes are **for sale** now, and how much are they listed for? All of this information will play a role in determining the After Repair Value (ARV). But the story doesn't end there.

Never be so motivated or desperate to find a deal that you try to make it a deal when there isn't one.

After Repair Value of a house is just the beginning. Even after estimating this number, we still have no idea what the seller's situation is. Do they have equity? Are they able to accept an offer that reflects the ARV minus all expenses? If we are not working with the sellers directly, it is more challenging to get this information. Your real estate agent should be able to research the tax records to find out when the seller purchased the house and how much they paid for it (tax records are often available online by county, city or town). Public records include the amount of the mortgage, and if additional mortgages have been recorded (2nd mortgages). This will not give you a full story, but can help fill the gaps on what they owe.

When we work with sellers directly, we find a way to ask these questions before even going to the house. While on the phone we start out with easy, non-threatening questions. This is where we go over location, type, and style. From there we move into the situation stuff. "Why are you looking to sell"? Sometimes that's all it takes. You would be surprised how many people start spilling their life story. We know that people don't have to tell us what's going on, but if they do, we use it to structure an offer that works for everyone. The 'why' question tells us not only the seller's motives, but also their urgency. If we don't hear about a timeline, we ask when they're looking to move out to pin down a timeline.

An alternative good opening line when you take the first call from the seller is "tell me about your situation and I'll let you know what we can do for you." Again, you are likely to get a lot of the most relevant information you

need by simply asking this open ended question, sit back and take notes for the next 2-3 minutes of streaming audio from the seller.

After we know the why and when, we ask how much. “What are you looking to get for the house”, or even “how much do you need”? There’s a saying in negotiations; “he who speaks first loses”. We always try to have a seller tell us what they’re looking for or how much they need before we mention ANY numbers. At this point one of two things happens; they’re either too high or really low. Really low is easy because we move forward staying on course to set the appointment. When a seller asks for an amount that is out of line with the ARV minus expenses (using a ballpark for condition based on seller’s description of the condition), we immediately start educating them on what’s going on in their market. These are the same numbers we are using to come up with our offer. If they seem like they’re open to discussion on the ARV we typically move forward to asking what they owe.

“MOVE OUT”

It’s important to use the words: “move out”, when asking a seller about their timeline. A few sellers want to stay in their home even though they *need* to sell because of some financial situation. This type of arrangement is called a lease back. At the time of writing this book, lease backs are currently under major scrutiny by government officials. This is because some unscrupulous investors took advantage of people by stripping their equity, not making payments, and eventually the house was foreclosed on. We do not look to do a deal where the seller will rent back the house. We know you’re thinking what could be better, someone who loves the house and would take care of it? Who could possibly be a better tenant? Think again. There’s a reason the seller needs to sell. Obviously they don’t want to move. If they are struggling now to make the mortgage payment, what makes you think they’ll be able to pay the rent later? Also remember the rent you would have to charge them is almost always more than their current payment to justify your buying the house. Don’t set yourself and the seller up for failure. If this is the only deal a seller is looking for, tell them you don’t feel comfortable putting them in that situation, and move on to another deal.

What the seller owes could be the most important question to ask. Unfortunately, we usually need to ask this last to ease them into giving us this information. It can go either way from here. If the seller owes too much,

more than ARV minus all expenses, we could be done and there is no deal. The good news is that by having this conversation you saved yourself from going to the house, estimating repairs, and disappointing a seller. When a seller has a mortgage balance that is a number which would allow them to accept an offer that fits our buying equation (based on a particular strategy), we set up an appointment to get together at the house. Once at the house, we review the phone conversation and confirm their motivation and numbers, before inspecting the house for condition.

Condition

While the After Repair Value of a house is somewhat specific and defined being dictated by past sales, the condition of a house is subjective and leaves room for interpretation. This is where deals are made. A well organized repair estimate form will not only keep you from missing repairs and losing money, but it will justify and legitimize the required reduction in sales price to a seller. Even the most experienced investor can forget to allow for waste removal (dumpster + labor) or a few sidewalk blocks (hundreds of dollars). Every missed item changes the bottom line and when you miss a couple because you didn't use a simple form, you'll never make that mistake again. (Ask me how I know!!) Our repair estimate form is not only a checklist, but an itemized price list for the proposed work to be completed (see repair estimate form at www.WeBuyHousesSometimes.com). This adds to the speed and ease by which you can deliver an offer to a seller. It also gives you a professional large company feel. We like to say, "these prices are set by company policy". You should develop pricing for your market based on local costs of materials and labor and be sure to update the list from time to time.

As already mentioned, the condition of a house is subjective and in so lies the dilemma on what condition the house should be in to sell or rent out. Our opinion is that the condition of the house when offered for sale or rent should be **above average**. The goal for any house is that someone will want it immediately when you offer it for sale or rent. Time is money. Whether you're selling or renting, you want every potential occupant to want it. When walking around the house, you will need to be able to quickly assess the condition of major systems and components throughout the house. It's a great idea to take photos not only of areas of concern, but to help remember the layout as well. When getting started, it is less important that you know the cost of repairing or replacing these items, but rather that you know you'll need a professional opinion or estimate for the issue. As you gain more

experience in not only looking at houses, but knowing what helps sell houses, you will be able to better estimate the work needed to guarantee a quick resale. When leaving a house, you want a clear picture on the work needed to optimize both sales price and closing date. As quickly after leaving the property as possible, you should begin calculating the cost of repairs to bring the house up to above average condition.

A well organized repair estimate form will not only keep you from missing repairs and losing money, but it will justify and legitimize the required reduction in sales price to a seller.

What is “above average”? Above average does not mean go crazy. It does not mean top of the line in every way. Above average means just that, above the average for the neighborhood for a similar size and style house. If you are unsure about the condition in which the house should be to sell, recruit a family member, friend, associate, or contractor for a walk thru to pin down the scope of work required. From there you will need to coordinate and collect estimates to finalize your numbers. When at this stage, we recommend using a general contractor that has broad knowledge of many trades and can give rough estimates to quickly come up with a repair number. You are only looking to make an offer on the house, and not contract with a company to do the work. You will still have an opportunity to have a home inspection and get a professional’s opinion of the house. If you are purchasing “as-is,” the home inspection will be for your information only, and the seller will probably not agree to repair anything. You can get multiple bids later after you have the house under contract. See Chapter 19 – Buy-Fix-Sell for extensive details on what work to do, cost of repairs, and dealing with contractors. Once again, the longer you do this and the more you network, the more you will begin to learn shortcuts and rough estimates that will allow you to evaluate the condition and repairs needed to make offers on the spot.

“Exit Strategy” (Investment Strategy)

What we decide to do with a property after we purchase it is often called “exit strategy.”

We would like to clarify the true meaning of the term “exit strategy.” This whole chapter is about analyzing the house BEFORE you buy the house. You shouldn’t buy a house and then ponder the question “hey, what kind of exit strategy should I use?” What you really are doing is first deciding if you need *Cash Now*, *Cash Soon*, *Cash Later* or *Cash Much Later*. That is the moment that you are deciding both how to buy the property and when to sell or hold the property. Thus, the entire process of strategic planning is really one step. It is not two steps of buy a house then figure out the exit. Therefore, **we will refer to the decision on how to buy and exit as “investment strategy.”**

There are two general ways to “exit” when considering investment strategy. One is to sell the house, the other is to hold onto it and sell later. If we sell the house, we either sell *Now* or *Soon*. If we hold onto the house we hold it until *Later* or *Much Later*.

SELL

- Now
- Soon

HOLD

- Later
- Much Later

If we get paid (the big bucks) when we sell, then it is logical to reason that choosing the investment strategy is as easy as choosing **when** to get paid.⁵

SELL

- \$ Now
- \$ Soon

HOLD

- \$ Later
- \$ Much Later

Because each investment strategy uses different equations to buy, it is important to figure out your **needs** before making an offer on a property. Do you need money now, soon, later, or much later? Let’s go further to more specifically define each time line based on how strong our needs are for *Cash Now* or *Wealth Later*.

SELL

- \$ Now (0-1 month)
- \$ Soon (2-6 months)

HOLD

- \$ Later (1-3 years)
- \$ Much Later (5+ years)

⁵ This discussion relates to the “big payout” when the house is sold that is typically tens of thousands or hundreds of thousands of dollars. This discussion does not refer to the monthly cash flow generated by the rental, even though that money is important as well.

It's as simple as that, go back and look at your *Own Your Life* goals in Tables 2-1 - Purpose & Vision Worksheet and 2-2 - Funding Your Life and see when you'll need money to satisfy your non-financial as well as financial needs and wants.

As a reminder, the following are a few examples. Feel free to go back and add your own items to Table 2-2 - Funding Your Life. Note that the timing of a need can differ from one person to the next based on the specific situation of an individual in different stages of life (same need - different timing):

Debt Reduction	Now
Getting Married	Now, Soon, Later
Getting Divorced	Now, Soon, Later
New Baby	Soon
New House or Upgrade House	Soon, Later
Vacation	Soon
Kids' College (15-year old kid)	Later
Kid's College (18-year old kid)	Soon
Retirement (for a 35-year old)	Much Later
Retirement (for a 62-year old)	Later

Each time-defined need for money correlates to a specific investment strategy.

As stated in Chapter 2, attach a dollar amount to each need in Table 2-2, if you have not done so already. Make sure you have totaled the amounts in Table 2-2 for each time category *Cash Now*, *Cash Soon*, *Cash Later* and *Cash Much Later*. Confirm that you transferred the total amount of money for each time-defined need in Figure 2-2, *Your Personal Cash & Wealth Matrix*. Your time-defined needs for money will be the basis for determining the investment strategies you will choose and implement. This is crucial.

Each time-defined need for money correlates to a specific investment strategy. The correlation is shown in Table 10-1 and Figure 10-1.

By identifying your needs and ultimately the investment strategy, you will know what equation to use to prepare an offer when you buy and subsequently, all the actions you will take to carry out the strategy.

Table 10-1: Matching an Investment Strategy for Each of Your Time-Defined Needs for Money

<u>Need</u>	<u>Timeline</u>	<u>Investment Strategy</u>
\$ Now	0-1 month	Wholesale
\$ Soon	2-6 months	Buy-Fix-Sell
\$ Later	1-3 years	Lease-Option, Owner Finance
\$ Much Later	5+ years	Buy-Rent-Hold

The subtitle of this book is “Own Your Life through Real Estate Investing.” Figure 10-1 summarizes how you match the timing of your need for money with an appropriate investment strategy to make that money.

Figure 10-1: **The Investment Strategy Matrix**: Your Time-Need for Money Determines Your Investment Strategy

<p>\$ Now <i>0-1 months</i></p> <p>Wholesale</p>	<p>\$ Soon <i>2-6 months</i></p> <p>Fix-Sell</p>
<p>\$ Later <i>1-3 years</i></p> <p>Lease-Option</p>	<p>\$ Much Later <i>5+ years</i></p> <p>Rent-Hold</p>

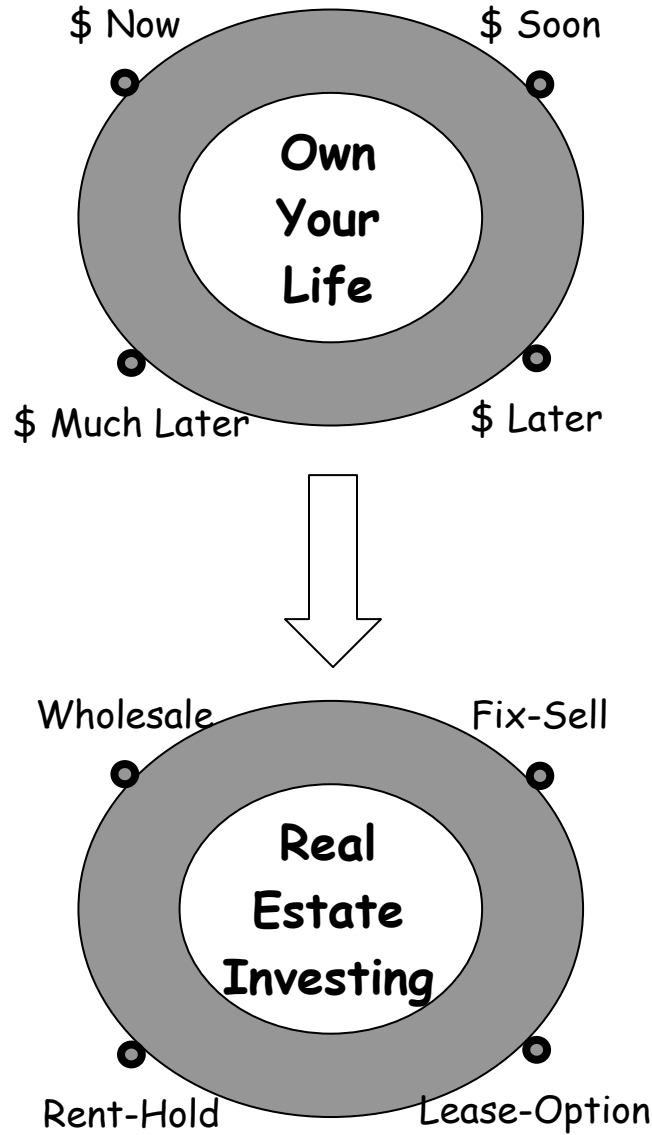
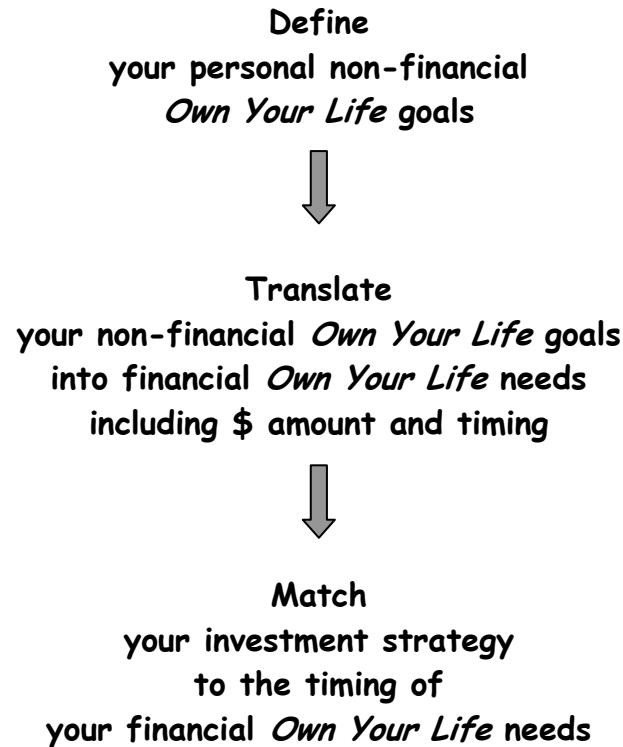


Figure 10-2 summarizes the steps for *Owning Your Life* through real estate investing that we have covered so far. Confirm in your mind that the steps and flow of logic are simple and make sense. Let's remind ourselves that investing in real estate is about *Owning Our Lives* not about owning buildings!

Figure 10-2: Review of the Steps to *Own Your Life*



The four investment strategies are called [1] wholesale, [2] fix-sell, [3] lease-option and [4] rent-hold. We will describe each of these four investment strategies in great detail in Chapters 17-20. At this point, we would just like to add a few parting comments about how each of the four investment strategies relates to the timing of meeting your *Own Your Life* goals.

Wholesale

You wholesale a contract for a house when you need *Cash Now*. Remember that wholesaling just means you will immediately get another buyer for the house.

You can sell at a wholesale price, a retail price, or an above retail price, typically depending upon condition of the house. Most wholesale deals are

sold at wholesale prices to other investors. But if you really need *Cash Now* and the house is in good condition, you could consider selling the contract to a retail buyer (owner-occupant). If wholesaling a property is the only investment strategy you have, due to the immediate need of *Cash Now* or you cannot finance the deal with your own personal funds, make sure you have the ability to get out of the contract, with an escape clause, if you cannot find a buyer.

Be aware that there are significant tax implications that can result from selling a contract. These include paying taxes on the profit as a short term capital gain at your highest marginal tax rate and on top of that you must pay self-employment tax on the profit which at the time of writing was 15.3%. You should understand the consequences and prepare to reduce your tax liability. Consult with a CPA who has significant experience with real estate investing in general and wholesaling in particular before doing your first wholesale deal.

When wholesaling a contract for a property, typically you will not do any repairs. Other than the need for *Cash Now*, some strong reasons you would wholesale a contract for a property are location (out of your farm area), the repairs are outside of your experience, your ability to fund the deal and your available time. If a seller is looking for an extended timeframe before they want to close, we would also consider wholesaling the house because of the amount of time we have to find a buyer. Lastly, you may be forced to wholesale a house because you're already working on another house. What you realize after being in this business is that great deals come up, and sometimes we're working on other projects and just can't do all of them. The latter consideration is obviously for buying houses after your first house.

Fix-Sell

Buy-Fix-Sell is the most active investment strategy. It could require months of commitment to complete (sometimes only weeks, but budget for months). Part of the good news is that the Buy-Fix-Sell strategy is also one of the most profitable in the shortest amount of time. Buy-Fix-Sell is a great *Cash Soon* strategy because when you take on the rehab adventure, you are rewarded with a much higher paycheck than a wholesale deal for example. With the aging housing inventory, a completed Buy-Fix-Sell can sell very quickly *if priced appropriately*. Continuing to add a Buy-Fix-Sell house every now and then can help fund the cost of buying Buy-Rent-Hold properties for long term wealth. Thus, Buy-Fix-Sell may be the crucial strategy you are looking

for to get started investing in real estate and that is how many of us started. If you don't have the money for your first Buy-Fix-Sell, you can partner with someone who does have the money but does not have the desire to do the work. We will describe this in a later section.

In the Buy-Fix-Sell strategy you typically hold or own the property for anywhere from one month to nine months, more typically 2-6 months. The time frame is controlled by the extent of repairs needed, and how long it takes to complete them.

Lease-Option

In a lease-option, you rent the house to a tenant-buyer instead of a tenant. The difference is that a tenant-buyer enters into two agreements: [1] a lease which looks like a "regular rental agreement" with a "regular tenant" and [2] an option for the tenant-buyer to purchase the house within a defined period of time like a year or two.

Lease-option will be discussed in Chapter 18, but we would like to point out here that the benefits of lease-option can be realized in a time frame of 1-3 years, which is *Cash Later*.

How much *Cash Later* is lease-option typically good for? There is usually more Cash Later in a lease-option than there is Cash Now in a Buy-Fix-Sell but less Cash Much Later than a Buy-Rent-Hold. In most markets (except a buyer's market; see Chapter 26 – Market Cycles – Stages of Real Estate Markets), you can often buy a house for 15% under retail price and lease-option it out at 15% above retail price in 1-3 years. That turns out to be a nice chunk of change.

**We must start with our financial needs in mind,
which will determine the investment strategy and
ultimately *when* we will get the money.**

Rent-Hold

When we talk about holding a property, it is usually for some undetermined amount of time to build equity and long term wealth. In this strategy, we rent

the house out and receive income. The goal on a hold property is almost always to have cash flow (the money left over after all monthly expenses are paid).

A house that is in good condition in a location that has a high need for rental properties will always make a good hold property. Another situation in which to choose the hold strategy might be when market conditions are such that financing is favorable, and houses are taking longer than usual to sell (Buyer's Market). Lastly, a hold strategy works great when you can get a good price and create a sizeable cash flow to help with immediate needs along with building your long term wealth.

In conclusion, the amount of money and the time in which we make it are determined by the investment strategy. We must start with our financial needs in mind, which will determine the investment strategy and ultimately *when* we will get the money.

So, go back to the beginning and either reconfirm or reanalyze your needs and goals in your *Own Your Life* plan in Figures 2-1 and 2-2. Make sure you revisit your written goals for *Cash Now*, *Cash Soon*, *Cash Later* and *Cash Much Later* shown in Figure 2-2.

Now you know the different investment strategies available and when you would use each. In Section 4 – Investment Strategies and Section 7 - We Sell Houses, Eventually, we will explain how to do each one.

Other Considerations when Choosing Investment Strategy

What happens when choosing your investment strategy is not driven by an IMMEDIATE need? Let's face it, when you completed *Your Personal Cash & Wealth Matrix* in Chapter 2, not everyone needs *Cash Yesterday*. So, we do find ourselves in situations where we have choices for investment strategy.

When you don't have a financial *need* to meet immediately or within a couple of months, you have the option to **choose** an investment strategy to generate cash now, soon, later or much later. This choice can be affected by three areas of contributing factors. Depending on how these contributing

factors match up with the house, yourself and the market will dictate your investment strategy.

House Drivers

Location-proximity to you, proximity to industry and/or transportation

Condition - Amount of Work it needs

Self Drivers

Tax Strategies - What are the tax implications?

Funding – can you come up with the money

Market Drivers

Market Cycle - Is it a buyer's, seller's or balanced market

Funding - market rates & program availability

Example

The proposed property is 30 miles away and needs some major repairs totaling \$36,000. You have a \$50,000 home equity line of credit available to you. Currently the market has cooled off and properties are currently taking 60-90 days to sell. Interest rates are low and first time home buyer grant money is readily available. You do not have any immediate or short term cash shortages, but you also have a fairly large tax liability (minimal deductions).

Considerations Because your financial needs are later and much later, you can decide on investment strategy based on contributing factors. Proposed property is fairly far away and would require extra effort to get to. (This rules out Buy-Rent Hold) You could get financing for the purchase price, and pay for the repairs with your HELOC. (Buy-Fix-Sell still a possibility) Beginning seller market could cool even more while extensive rehab was going on, and even more drastically in next 1-3 years. (This rules out Lease Option/Owner Financing) With interest rates good and first time buyer programs available, there will not be a shortage of buyer's looking. A quick assignment fee without taking title could create a hefty tax bill.

Conclusion: This property should be purchased assuming one of two investment strategies:

1. Wholesale: With the property being far away, this would alleviate additional driving time for supervising. You would not have to get a loan to purchase the house. Market has cooled, so reducing holding risk is beneficial. Look to double or simultaneously close in order to

lessen tax liability. Market wholesale property reminding investor of great first time buyer programs.

2. Buy-Fix-Sell: Potential for larger upside profit. Should be able to sell quickly with good financing available. Be mindful of softened market, purchase knowing sale price will need to be aggressive. Use available HELOC to fund repairs and payoff when house sells.

We always like to have a plan B. You could try to wholesale the property and if for some reason you can't get anyone willing to step up, you can close and do the remodel. Either one would work and would provide *Cash Now*.

Summary

- Good analysis is key to making money when investing in real estate. Each house needs to be analyzed by taking onto account several factors.
- The location of a house is a dominant factor in the analysis and is characterized by the neighborhood in which it located.
- The income level in a neighborhood determines affordability and desirability in that neighborhood. Neighborhoods with houses near the median house price are the most marketable.
- Factors that help in analyzing a specific house are type & style, financials, condition and "exit strategy".
- Type and style of a house should be in line with the standards of the neighborhood.
- The purchase price of a house will be affected by financials such as comparable house sales in the neighborhood, the seller's situation and condition of the house.
- Investment strategy **MUST** be determined **BEFORE** buying the house.
- You choose an investment strategy for a house based on your personal time-defined need for money. There is an investment strategy that correlates to each time-defined need.
 - Wholesale for *Cash Now* (0-1 month)
 - Buy-Fix-Sell for *Cash Soon* (2-6 months)
 - Lease-Option for *Cash Later* (1-3 years)
 - Buy-Rent-Hold for *Cash Much Later* (5+ years)
- If you match investment strategy to your time-defined financial needs, you will *Own Your Life*.