Forever Cash Real Estate Podcast 021

Building Massive Cash Flow with Land Deals Through Seller Financing

Hosted by: Jack and Michelle Bosch

Intro: Are you ready to transform your financial future? Here's your chance to see inside the mindset of self-made millionaires, Jack and Michelle Bosch as they go back the curtain on secrets that can make you rich. Discover how everyday people are breaking the norms and building empires from the ground up using a little low yet proven and time-tested wealth building real estate strategies. It's my pleasure to welcome you to the ForeverCash.com podcast and introduce you to our hosts, serial entrepreneurs, investors, educators and best-selling authors, Jack and Michelle Bosch. Strap yourself in for the ride of your life.

Jack: Hello everyone! This is Jack Bosch...

Michelle: And, Michelle Bosch.

Jack: Wonderful! Husband and wife team here. And, welcome to the Forever Cash Real Estate Investing Podcast. We're very excited to share with you this podcast where we talk about all things having to do with real estate today in real estate investing and particularly our own technique which is around tax delinquent real estate investing. So when people don’t pay their property taxes, the government has two choices: either they put this property up for an auction and let it sell at an auction to the highest bidder which is called the tax deed auction, or they issue a lien against it and allow investors to buy that lien, collect the high interest rate or accrue a high interest rate.

And, if the owner of the property never pays it off after a certain time period, they can foreclose on that property. Now, what we have figured out is how to make those things work. But also mainly, what we figured out and which is the basis for 97% of all our 3,200 plus deals that we have done going on 3,500 is actually how to circumvent this high competitive auction environment, and instead turn it into a zero competition deal environment where we can do deals all day long without ever having to really worry about a competitor, and getting properties similar to those that come up for the auction for literally $0.10, $0.20, $0.30 on the dollar.

In one of our last podcasts, we've talked about a case study where one of our students got a $150,000 piece of land for $3,000 and flipped it very quickly within a couple of weeks for a $90,000 profit. So, those are the kind of deals that we do and those are the kind of deals that we look at. Of course, $90,000 is not really representative. There are many deals that are much less than that. And, if you don't do anything, you don't get any deals absolutely, so many deals are in the $5 to $7 to $3,000 or 10,000 range, but still every once in a while, you get a $90,000 deal when you do this. So today though, we're going to talk about something different, right Michelle?

Michelle: Yeah. I would like for us to talk about using our strategy to create cash flow and create notes on land.

Jack: Land. So today, we're not going to talk about houses. We're going to talk about land

Michelle: Yeah.

Jack: Because land is really our first love, isn't it?

Michelle: Yeah. I am in love with dirt.

Jack: So yes. And, Michelle always makes fun that in our business, we have divided it up such that Michelle does the buying, I do the selling. So Michelle says, "I love it!" right? Because... Why do you love it?

Michelle: I just do it. I get to go shopping.

Jack: There we go. She gets to go shopping. She says she gets to go shopping, just shopping in a way that makes us more money. And, as a husband of course, that's music to my ears. My wife gets to do what she loves...

Michelle: And, make money.

Jack: And, make money in the process. Now, having said that, it sounds like Michelle is like the typical wife that wants to go shopping. No, far from it. She is a power woman in her own right. She has a degree from a top school. She is our operations manager. She is the brain behind everything here. So, I want to just make that very clear. But still nevertheless, like most women, she likes shopping.

Michelle: Yeah. You better say all those things.

Jack: And so today, we're going to talk about land and about how to literally get you up to $10,000 in cash flow from land by applying a very cool and very simple strategy. And, that strategy is very simply called seller financing.

Michelle: Yeah. And, this is a strategy that you can apply whether you have a mountain of cash to invest in a park or if you have nothing right now and in every single cent that goes into investing in the property and acquiring the property, you need that money back. So, we're going to show you a way to do just that, whether you're loaded or you have nothing and like I said, for liquidity purposes, you need every cent that you put into the property. You need it back out. So, this is what we're going to show you, how to create cash flow, whether you are one of those people. And so…

Jack: Right! So first, I want to give a quick foundation for it before we jump into the deals.

Michelle: Yeah.

Jack: So here is the deal. The deals that we work with a lot are deals in the outskirts of bigger cities, or larger acreage in rural areas, or even in fill lots in smaller towns and so on. That’s kind of our bread and butter. And, particularly properties that are perhaps five or ten miles outside of bigger cities or larger acreage in small towns are what we focus on.

Now, often these properties, especially if you look at areas that is not being used for farming... So basically, if you look at the Southern United States, Texas, Arizona, California, Florida and so on and so forth, there are lots of properties out there. Lots of acreage that are only worth between, let's say $5 and $50,000. And, the example that we're going to do is obviously the lower you're going the price range, the more of them are available, and there are literally tens of thousands, hundreds of thousands of properties available. They're worth in the $5 to $20,000 range.

So, the example we're going to bring right now is one of these plenty available, easy to get to examples of properties that you don’t have to actually pay a lot for them. Because in land and additionally, there's one additional kind of factor that most real estate investors have been told not to go after land. Because land doesn’t cash flow, land usually they say is expensive, is risky, takes a long time to develop and so on and so forth. But, by going after this market segment of the properties worth $10, $20, $30, or $10 to $80,000 with the sweet spot being really $10 to $50,000, we're avoiding all of that because we are in the recreational land segment.

We're in the segment where people, the average Joe that lives in a high-rise in New York wants to have a few acres outside of New York that he can go, get out there, rent a car, get out there and have some fun out there. The average person in... You name it, San Francisco, wants a few acres outside in the hills, two, three hours or an hour away from San Francisco where he can go play for the weekend instead of being stuck in traffic in the city, right? In Oakland or whatever it is.

And so therefore, this is our sweet spot of our market. And we're going to show you how you can take these properties that have a big market where lots of people are looking for them, but that a lot of people, not a lot of investors go after, that you can buy them for pennies on a dollar, and then flip them, and with your offer of seller financing, you can sell them within a matter of days.

Michelle: For top dollar.

Jack: And for top dollar, and receive great cash flow from them. Because one of the things, when you sell with seller financing, you don't have to discount the property because the deal is not in the price. The deal is in the financing, in the easy financing abilities.

That's how... So you can go to a car dealership and lease a Mercedes Benz that's worth $70,000 for $700 a month because you don't need $70,000 to buy the car. You only need $700 plus perhaps a few thousand dollars in down payment. It's the exact same scenario that we're doing here with land. So after having explained that, let's jump into the actual example in deal strategy, a financing example that we want to share with you.

Michelle: Okay. So first, let's look at... Then, like Jack said, the smaller priced properties. And let's assume, for example, that you go after properties where your cost of acquiring the property is $1,000. And by that, I mean, what the seller nets with any back taxes included.

Jack: Yeah.

Michelle: Basically, your complete outflow. Out of your pocket is $1,000.

Jack: And probably, let's do jump in out of our 3,000 plus properties that we have flipped. Probably, almost 1,500 to 2,000 are probably in that category, so this is our bread and butter kind of deals. They are available all day long, all over the United States.

Michelle: Yeah. And, this property is worth approximately $10,000. Therefore, it sells for approximately $10,000. And because you are not selling it for cash, you are not necessarily discounting it for a quick sale, but you're selling it at top dollar. And when you sell it, you are looking to get a $1,000 down. So, you were out a $1,000 and when a person buys it from you, you have your $1,000 back. So, you have recouped your entire investment in the moment that the person pays the down payment.

So now, let's assume then that on month one, you buy one of those properties, and then you sell that property with... Like I said, with $1,000 down payment, you can create a note at a 10% interest because it's not uncommon for higher interest rates in land especially because banks are very reluctant to lend against land. So, you are really creating an opportunity.

Jack: Yeah.

Michelle: The only person willing to basically issue a note, issue a mortgage in certain areas.

Jack: You are the only deal in town.

Michelle: Yeah, exactly. And so, let's assume that you create that note at 10% for five years. And so, on month one then, you have your $1,000 down, and then the following month, you collect $191 worth of monthly payment.

Jack: And, you do that for five years.

Michelle: Exactly. And, you do that for five years. So at the end of those five years, just from that one property that you sold on month one, you will have to have then $9,000 worth of profits plus whatever…

Jack: You sold the property for $10,000, so you collect the $10,000 plus all the interest and so on, so the total amount that you collected would be somewhere like $12,000 with interest.

Michelle: Yeah, with interest.

Jack: But, really right now, we are looking at the deal of how these monthly payments now stacked up month after month after month. Because the beautiful thing right now is what if you just do one deal a month like that? Now, one deal a month... Let me tell you. When we started out in our first year with those 63 deals and that was part-time while we have a job. So, in 63 deals, and then the next year, we quit our jobs and we had 150 deals that we did together. So, if you can do one deal a month, that's basically a hobby.

Michelle: Yeah.

Jack: So, if you do one deal a month and you get $191 monthly payment from the first property, well, on the next month, you do another deal, right? You pay $1,000 for the property. You sell it for $10,000. You collect the $1,000 down payment, so you got all your money back again. The money that you spent for the property, you got it right back as a down payment, and you build another $9,000 notes. So now, you have $18,000 in notes and your monthly payment is two times $191. It's now $382.

Michelle: Yeah.

Jack: Now, we can continue this down the road for a month, three, or four, or five, six and so on...

Michelle: Yeah, that’s half a year.

Jack: What are the results after a year?

Michelle: So, the result after 12 months then is that you will have invested a total of $12,000 because you have purchased 12 properties that are a $1,000 each. You have sold them at $10,000 and you have collected...

Jack: Each.

Michelle: Each of course. And, you have collected $12,000 worth of down payment. So, the cost out of your pocket was $12,000 and immediately after 12 months, that pocket is replenished by $12,000 from down payments.

Jack: So, you're still financially at the exact same spot that you were before?

Michelle: Yeah, neutral. And then however, what all of a sudden doesn't make this neutral anymore.

Jack: Exactly.

Michelle: It makes it really a game changer in just 12 months with just one property a month.

Jack: And, in one cheaper property a month, because not every property is going to be such a cheaper property. You might come across a $40,000 property that you can buy for $4,000 and get a $4,000 down payment, and with that get an $8,000 monthly payment.

Michelle: Yeah.

Jack: But, I don't want to confuse things here too much so let's stick to this for a moment.

Michelle: So after 12 months and after the first year of just one property a month, you have approximately $2,300 worth of monthly payments coming in every month, so that is amazing. I mean, incredible.

Jack: That's not something that for... You might listen to this and be like, "$2,300? That's not worth it."

Michelle: But...

Jack: But...

Michelle: Yeah.

Jack: Remember, this $2,300 come in for five years. So for the next five years, every single month, if you stopped after the first year, for the next four years after that or a total of five years, you will receive $2,300 every single month. Now, let me ask you. Look at your mortgage payment. How much is your mortgage payment right now? How much is your rent payment right now? How much is your car payment right now? How much is your electricity payment right now? I would guess that for the majority of people in the United States, $2,300 pays for their mortgage, their electricity, their car insurance, and their car payment. Meaning, that the major block of expenses that most people have, is already covered.

Michelle: Taken care of for the next four years.

Jack: So now, every other additional deal you do after that is almost like gravy. Now, all of a sudden, any additional deal you do or any cash deal you do in between is just wonderful cash in your pocket spending money.

Michelle: Yeah.

Jack: Now, if you continue this by the way for another year though at one deal a month, after two years of course, you are at $4,600 a month. So, if you just do this one deal a month for two years, you got $4,600 a month. That is more than... That's around $55,000 a year coming in from that, but that’s just the really conservative way of doing this. With one little miser deal every month, with at the bottom end of the price scale, just giving you $191 a piece in cash flow.

Michelle: Yeah.

Jack: Let’s make this a little bit more exciting.

Michelle: Yeah. Let’s suppose now that you're like, “Wow, I'm actually going to spend probably eight hours a week on this business. And so, I'm going to be putting in four weeks about 32 hours into this business.” Let’s just assume. And, I'm going to try to get it a little bit faster going. "And so, instead of doing one deal a month, I'm going to do... Oh my God, three deals a month.” Three deals a month of the exact same type of property. It's the exact same type of property where you can sell for 10, you can buy for 1 and you can get $1,000 down payment.

So, let’s look at how month one would look. So, month one, say you have one deal again because you need a ramp-up period, and you just got started and you're like, “Okay, let’s go at it.” And, you have again created in month one, $191 of monthly payment from this one property that you have acquired for $1,000, and so for $10,000 with 10% interest on a note on five years, and you're selling it at $10,000. You recouped your investment of $1,000 when they paid you the down payment, and now every month, they're paying $191. Now, month two. In month two, you're like, “Okay, I got this. I can do two deals this time,” and you actually do that. And so, you have an initial investment of $2,000 on month two.

Jack: Two properties at $1,000 each.

Michelle: Two properties, yeah. You sell both of them for $20,000 and you get $2,000 back in from the down payment. And now, you’ve created...

Jack: An extra $382 in monthly payment on top of the $191 that you already have.

Michelle: For month one.

Jack: For a total of $573.

Michelle: Yeah. And so now, let’s say that in month three, you actually do three deals which is not difficult at all.

Jack: In one way, at the peak of the real estate boom, we did 90 deals a month. That means really on every business day, we did basically four deals, four to five deals a day. So, can you do three deals a month? Sure.

Michelle: Yes. So then, let's talk about month three. So, in month three, you do those three deals. You have an outlay of $3,000.

Jack: Three times one.

Michelle: Yeah, 3 x $1000 = $3,000. You sell them for $30,000, because in each one, you are selling at $10,000, and then you're getting $3,000 in down payment from $1,000 from each of the three. And now, you have then all the cash flow from the monthly payments for month two and month one, plus the additional three new notes that you just created in month three.

Jack: Which is an extra $573, so the total cash flow in month three is now $1,146.

Michelle: Yeah. And, you just need to do this basically month four, month five and just after one year.

Jack: And, if you keep it at three deals a month now, like you can keep growing it. You can do five deals a day like we've done or you can just keep it at three deals a month which is still a hobby, and then after one year... Sorry, I was interrupting you.

Michelle: No, no, no, no problem. After one year then, you will have completed 33 transactions. It's not difficult to get to these double digits in terms of how many deals you can get done in a year.

Jack: Now, we have coaching students by the way. Alynn and Jorge, for example, they have done already their first batch. They did four deals and did exactly that. It made them over $30,000 in profits, in equity profits and cash flow of... I don't know, $1,000 or $1,500 in the first four deals. And now, they have already another seven deals that they have under contract, so this is more than possible to do.

Michelle: Yup. So after you have one then, you have like I said 33 deals. You have actually had a cost of $33,000 if we assume that still each of those deals is $1,000. You will have sold property in the amount of $330,000. It's over a quarter of a million dollars you've sold in real estate by then.

Jack: A third of a million.

Michelle: Yeah. Exactly, a third. And then, you will have received...

Jack: All your investment was already back. And, it's not back at the end of the year. It comes right back... The moment you sell a property, the money comes right back. So, if you cash out like anytime, that would only be $2,000, $3,000. And then next month, boom! You're selling and they already come back.

Michelle: So, the outlay is we are talking about days. Anywhere from 20 to 45 days of that, your cash is out.

Jack: Right.

Michelle: So then, your...

Jack: And, the cash flow is? Drum roll.

Michelle: $6,300.

Jack: $6,300 a month after one year.

Michelle: After the end of the year, yeah.

Jack: And on top of it, what's really exciting is because you're building notes, you're building mortgages, you'll become the bank, remember? You are the one giving these loans out. You are the one selling these properties for $10,000 with a $1,000 down payment, meaning the other people owe you $9,000 and they pay you in installments every month. You're now the bank. After one year, you've also built almost $300,000 in notes.

Michelle: In notes.

Jack: In mortgages that you hold and that you can go and sell them in the open market. Sell them to an investor at a discount, but still sell them. And again, if you do that for two years, if you just keep the three deals a month going, after two years, you have 69 deals making you $13,000 a month in cash flow and having built up a running total of profits in note amount of over $600,000.

Michelle: So that's in two years. So, you just need to do this one more year and you have basically created $1 million in assets and notes.

Jack: Yeah, you have created $1 million in assets for three years, and at the same time a cash flow in three years of $20,000 a month. Now, who is excited about $20,000 a month? I think probably you are. How about $13,000? Probably you are too. How about $6,300? I am too! Because $6,300 dollars pays for most people's complete living expenses. I mean, it pays for everything. That's the equivalent of a $75,000 income that comes in in addition to what you do in your job, and at this point of time, it might be worth for you to quit your job.

So in one year, you can build up $6,300. And then, we have third scenario that we can show here too which blows this really out of the water. We just perhaps want to spend just a second on it, because in essence it's the same thing that I just described just now with a higher level property.

Michelle: Yeah, with a different type of property.

Jack: With a different type of property. So, what if after doing this for a year, a couple of years and building up $6, $7 or $10,000 in monthly payments by doing three, four, five deals a month with that, you now decide, "You know what? I've had enough of dabbling with this $10,000 properties that I can buy for $1,000. How about I go after $30,000 properties that I can buy for $3,000?"

All right. So, you do the exact same thing. Month one, you do one deal. Month two, you do two deals. Month three, you do three deals, and then you keep it at three deals. But now, you buy a property for $3,000, sell it for $30,000 because that's what it's worth or more, and then again get a 10% down payment. It's not unreasonable. It's very reasonable, very low down payment. Get a 10% down payment of $3,000.

So, it means you spent three and you get three right back when you sell it. But now, the monthly payment on each of these deals is $400. And the amount of profit, paper profit, the amount of note, the amount of the mortgage that you create is actually $27,000. So now, if you do that month one: one deal, month two: two deals, month three: three deals, and you do that for a year, after only one year, you're already up to $13,000 in monthly payments, and after two years, you're up to $27,000 in monthly payment.

So, the reason why I shared this extra example right now... And by the way, in terms of how much mortgages you own now, how much notes that you own, how much I-owe-yous that people owe you, the money you own after year one: $800,000 and after year two: $1.6 million. Meaning, you're building up almost a million dollars in deals, in profits…

Michelle: In notes…

Jack: In paper profits, in notes, that people still pay you on after just one year. After 14 months, you have $1 million. That is exciting stuff! And, you can do that with the stuff that nobody else talks about and with the stuff that most people run after houses. Nobody goes after land. And, that's what got us excited.

Michelle: Yeah.

Jack: When we got this, when we figured this out, we put the pedal to metal and we started doing them like crazy, left and right as many as we possibly could. And, we built up our income even above the numbers that I just shared.

Michelle: And, what's great with these higher-priced properties is that all of a sudden the note, the asset that you're creating is not just a five-year note, but the length of that note is usually longer.

Jack: Yes.

Michelle: It's 10 and 15-year notes.

Jack: Right!

Michelle: So for the next 10 and 15 years, monthly payments are going to be coming in, and you have really created a transformation for who you have purchased the property. They were going to lose it in an auction. You have created a transformation for the county. They get their taxes paid and they're able to offer the infrastructure for the community with those taxes. You're able to create a transformation for the person that is buying it from you, because all of a sudden, you have been their only option of acquiring a piece of property. Because like I said, most banks in terms of recreational properties, they're not willing to lend against land.

So, you have just created opportunity there and you have created opportunity for yourself. And if for any reason, you were in a situation where you needed to basically have liquid cash and turn these assets, these notes into cash, Jack already mentioned it. You can always sell these notes. You'll probably be selling them at a slight discount, but you can turn these into fast cash as well.

Jack: Absolutely!

Michelle: So, you don't have to wait the 10, 15 years if you don't want to, but why not?

Jack: But, we love them. We have never sold a note in our life because we love them. Like, what is better that creating a $400 note with a 10-year payment period? What's better than that? I mean, that's the exact same amount, by the way, that most people... Actually, that's more than most people cash on a rental property. Because if you have a rental property that has $1,100 in rent and you have an $800 mortgage against it, after property taxes and after management fees, there's nothing left.

If you have a $1,100 property and you have it free and clear after repairs and after property taxes are on, you perhaps cash flow a little more. It might cash flow $500, $600 on that deal. But, if you have a portfolio and they have some mortgages on them, chances are, you're not cashing for and you're not netting $400 a house, so as a result... Or if you do, great. Congratulations. But, most people don't.

So, the result here is this free and clear cash flow because it's land. There are no repairs necessary. There's none of these things necessary. And for 10 years, you have $400. What's more beautiful than that? I mean, we're in love with it. Because if you do 10 of those deals, you'll get $4,000 a month coming into your bank account. And again, calculate. What's your car payment, your car insurance, your gas, your mortgage, your vacation money? And for most people, that's it. It's a game changer to have these things come in for the next 10 years.

Michelle: And for all of you who are itty bitty shitty committee sometimes shows up and…

Jack: Which is this voice in your head that tells you, "You can't do this."

Michelle: "You can't do this" or "Oh, my God! What if the person stops paying their monthly payment?" Let me tell you that if you structure these notes properly, you can easily... Not that this is what you're after, but you can easily foreclose on the property. You still have the asset and you can sell it again.

Jack: And, if the market has risen in between, you get to keep the down payment. You get to keep the monthly payments, and now you can sell it for more than you sold it the first time around.

Michelle: Yeah. So either way, you'll win. There's no way to really lose in this scenario. And, that's probably a topic for another podcast. It's how to structure them...

Jack: Absolutely.

Michelle: ...And what types of contracts. And so, we'll probably discuss that in a future podcast.

Jack: All right. So with that, I want to conclude the podcast for today. As always, I don't know if I mentioned it at the beginning, we have a free course for you that shows you how you can make these deals happen. It gives you an overview about the five different ways you can do deals with tax delinquent real estate, and you can get that at ForeverCashFreedom.com, so go there right now and claim your free course there.

But more importantly, even that and that's all the links and all the different things that we've talked about right now are available on the podcast notes, and the podcast notes are on ForeverCash.com/Podcast. Again, ForeverCash.com/Podcast. That's where everything is available: the notes, the transcripts, the downloads. And last but not least, we would love to interact with you. We have a Facebook page that you can go to. You can also find the link to it on the notes there. So you go there or you can go straight to Facebook. It's Facebook.com/ForeverCashLife. And last but not least…

Michelle: Its give us feedback. We would love for you to rate us for one star if you like this, five stars if you really, really, really, really loved it and so…

Jack: One star only if you hated it. And ideally, I would prefer you just keep that quiet.

Michelle: Yeah.

Jack: But if you liked it, four stars. If you loved it, five stars.

Michelle: Five stars, absolutely. And also, I wanted to mention. We will be showing in our upcoming event right now in August 21st through the 23rd here in Phoenix ways and examples such as the one that we just discussed right now on how to basically create passive cash flow using land, using homes and using all of the different techniques that we taught during this podcast.

Jack: Absolutely! And...

Michelle: So we would love if you'll join us.

Jack: If you join us there, we even have a little incentive for you. We discounted the tickets for our podcast listeners. You can get them at ForeverCash.com/PodcastLiveTickets. But as I mentioned, all these links are available at the podcast page which is ForeverCash.com/Podcast. Again, ForeverCash.com/Podcast. You can find all the links that we have just mentioned. All right. With that, thank you very much. Have a wonderful, wonderful rest of the day, and go build some land cash flow.

Michelle: Yup, absolutely. Bye.

Jack: Bye.

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