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Forever Cash Real Estate Podcast 039

The Top 5 Ways to Make Sure You Are Successful in Real Estate Investing

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 pull 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 known 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: And welcome to the Forever Cash Real Estate Podcast. And today Michelle, we started every time the same way, right? Well, what are we going to talk about today?

Michelle: Well, I would love to talk about mindset in real estate investing.

Jack: All right, great, so kind of like the top five mistakes people make around mindset or the top five things people need to make sure that they keep doing the right way in order to do deals. Is that about kind of what we're talking about?

Michelle: Kind of, yeah, yeah. So mindset is really setting your mind either in a positive or in a negative way.

Jack: Ideally positive.

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Michelle: And so when going out and investing in real estate, you want to stay positive in order to accomplish what you're trying to accomplish.

Jack: Right. Awesome, great, I love that. So we're going to talk about how many different things?

Michelle: I would like to talk about five.

Jack: Five? Okay, good, but before we go...

Michelle: And they're marketing-mindset specific.

Jack: All right, wonderful. Before we get started though, as always I want to remind you that the podcast notes are in ForeverCash.com/Podcast. The transcription of the podcast, the download of the podcast, a whole bunch of different pieces of the tweetables and things like that are on ForeverCash.com/Podcast. And also I mentioned it in the last couple of podcasts; we have a free gift for you. We actually give you a free access to an entire vault of courses for a limited time. So you can go there under ForeverCash.com/Freedom.

You can go there and claim your access to that entire vault of different courses that cover all kinds of stuff from self-directed IRA to tax lien, tax deed, land investing, house investing, even online marketing, selling stuff online, even mindset. There is a course about mindset too that expands way beyond what we're going to talk about today. Funding stuff is in there. Again, all kinds of different things, so it's really, really cool. So go there when you have a chance, ForeverCash.com/Freedom. So now let's get started with our podcast here.

Michelle: Okay, great, so the very first thing that I would like to talk about regarding mindset is in the area of mailings when you're actually getting started, you already have had a list, you already have filtered your tax delinquent real estate list, and you're getting ready to send out mailings and you send out your first mailing. Your first mailing, you happen to do it by yourself, and you fold it and stuffed and licked and stamped and handwrote, whatever it is that you are doing if you're doing it the hard way. And you are like, "Oh, my gosh, I sent out 200 letters, and I got one whopping call back," and so that...

Jack: Which by the way, that's if you do it for houses. In land...

Michelle: It's so much more competitive.

Jack: You get way more calls; you might get 10 or 20 calls on 200 letters. Still, but you might say like, "Oh, my God, I don't have a deal yet to even with 200 letters."

Michelle: So you need to manage your expectations there in order to stay on a positive mindset, and really the expectations are if you are going after houses, that 200 letters is just not going to do it. It's going to require more like 2,000 letters for you to get a good number of responses back, and that means that you have to touch each of those people at least three times.

Jack: In the housing area.

Michelle: In the housing area.

Jack: But even in the land area because there is something that is called the law of large numbers. The law of large numbers basically. If you think about the room full of people like a seminar room, you've probably gone to a seminar room or some kind of forum or an assembly or something where there is...

Michelle: Or workshop or something.

Jack: Or workshop, or whether it's like, let's say 500 people in a room, or just 100 people in a room, and let's say there's three deals in that room with 100 people, so you just don't know where these deals are. Or let's make this even more... Let's say there are 1,000 people in the room, and let's say there are 50 rows of 20 people each, so that's 1,000 people. If you go and you just send letters to the first four rows which is the first 200 people, or if you ask the first 200 people if the deal is in there, you know in this room of 1,000 people there's three deals for sure.

But if you just send out 200 letters to the first, and you picked the first four rows of 50 people that's 200 people, how high is your chance that that there is a deal in there? Well it might, there might all three deals might be in there, or none of the deals might be in there right because it's basically not yet a big enough sample. However, if you go let's say the first, if it's 50 rows of 20 people, the first 25 rows now how many deals can you expect for there to be in there? Well we still don't know, because there might be... Well, we can kind of reasonably expect for one deal to be in there, because not all deals are probably going to be in the last row. But you know what I am saying, I'm basically...

Michelle: But it's possible that there are all in the last row.

Jack: But it's possible that the three deals are in the last row. So if you look at your letters as something like that, if you have a list of 1,000 people who you sent letters, and you're only sending out 200 out of them, or even no matter how many you have if you only send out 200, but there is probably thousands of tax delinquent people in there, you don't know yet if your deal is going to be in those first 200? And what I hear again and again and again is people saying well I sent out 200 letters...

Michelle: This doesn't work.

Jack: And I didn't get a deal, this doesn't work and we are little bit in scolding mode today and that is actually okay because you can't understand that with 200, you are not even doubling yet, you are just basically putting the tow in the water and expecting that a big huge bass fish, that's a hundred pound bass fish to bite, it bites and that you can basically take the prize home. Well it isn't working like that. It's as I said if you have this, if you imagine now you have this imaginary room with 100 people in there, and you know there's three big deals in there, well the safest way to get those three deals is to send 1,000 letters, because now you know you are going to get every one of those three deals, but with 200 you don't know.

If you send out to half of them well statistically you should get at least one of them. If you send to 80% of them statistically you should be getting two of them, but is it possible that all of them are in the last row? It is, so only if you send out to all of them can you harvest all the deals in the room. So keep that in mind that your sample has to be big enough to make a really reasonable, and sustainable, and founded judgment on whether or not something works, right? That's what I want to mention it in number one.

Michelle: So number two, what I have that I would like to basically discuss is like, okay, so you send out your first 2,000 letters, you get deals, you make some money and that's month one. Sixty days out, month two, you are okay, pumped, excited; you know your confidence is up because you have the winds of that first month's deals. And then the second month nothing happens and you send 2,000 letters, and there are no deals and you go like, "Oh, my God. There are no deals. I used to have deals. What's going on?"

And so here where it is requiring that you stay calm and you maintain again a positive mindset. So real estate investing is no different than any other entrepreneurship venture and that means that there is no straight line of growth. Sometimes it's going to be up, sometimes it's going to go down, sometimes it's going to go up, but generally speaking you know that S curve will continue to grow.

So no worries, and it does require that you start becoming as you continue to invest month two, month three, month four that there is some emotional and mental resiliency that you stay grounded, that it's not the end of the world that what you have to do now is like, okay, go back and look at what's going on, are there any negative externalities happening in the market, is there something happening in the market that has changed people's perception and perspectives and I am not getting enough sellers motivated?

Did I sort my list incorrectly? Am I sending to the wrong group of people? Or is there an oversupply of that kind of inventory out there in the market? Could that be it and does that require me to look elsewhere? Because people get very comfortable with a specific area once they find it and they don't want to go through the learning curve of finding another area and investing elsewhere? And that's the name of the game. If something is affecting a specific market, you will have to basically get out of that comfort zone and move and look elsewhere. So that's the second thing that I basically wanted to cover is if you do start getting deals and then there is a month where there's no deals, and then there's a month where there are ten deals, you know that this is normal, it's...

Jack: And it goes towards the same thing that I said earlier that your sample might not be big enough. If you send 2,000 a month, you should be getting something, but at the same time still sometimes comes in waves.

Michelle: Yeah, but there is a way and I alluded to it right now to basically to prevent that unpredictability, and that is to basically diversify the regions in which you work in.

Jack: Right, absolutely.

Michelle: And if you diversify the region, and you have a constant drip in your pipeline of mailings going out, there will always be a constant drip of deals coming in.

Jack: Exactly, absolutely right. So the last part, the only comment I want to make to that is there is sometimes a little bit of seasonality to it, but only in very, very, very limited amounts. And what I mean by that is for example we're recording this podcast being published in just the beginning of December, and for example what we and other of our students are experiencing consistently is that around the middle of November, you don't get many offers accepted because people... Actually, often these properties are in the hands of people that adult children, and before giving the property away they want to talk to the children, and what better time to talk to the children than thanksgiving.

So what happens is, although in thanksgiving a lot of family conversations are happening with offers in their hand, and then right after thanksgiving, guess what happens? They accept the offers in droves. So it sometimes has to do with a little bit of those things, you got to keep those in mind, but usually that's kind of Christmas in there. Christmas and Thanksgiving are kind of the only times where that happens, but I wanted to sensitize the audience to also looking beyond just making... that sometimes there's just waves, there's four weeks nothing, and then you get eight acceptances in one week, and there is no reason to that, but it does happen.

Michelle: Yeah, so then the third thing I would say is to set your mind to stay positive is to basically protect what comes in to your mind, so that you don't go down the rabbit hole of doubt. That means that you need to protect yourself from comments or opinions that people that are not in the trenches might have about what you're doing.

Jack: Absolutely, I mean basically you need to close your ears when you go out there into the normal world. Now the thing is the saying everyone knows is that the definition of insanity is doing the same thing and keep expecting different results. Yet you have all these coach quarterbacks sitting in their homes, and after you went to the effort of buying a course, of joining perhaps the program like the Forever Cash Club... Again, you can go there to www.ForeverCashClub.com, which is a membership program where you get access to currently over 110 different real estate courses, and you get access for a super low monthly payment, and then you can check it out, you even get a free trial for a week.

So go check it out there, but the point is you committed to something like that, you get the education about it, and all of a sudden what happens is you're not yet sure, you're obviously a beginner in this, you're starting out, you're learning something new and you're going out there, and you're looking for validation with the wrong people. You're looking for validation... I don't know, with your mom, with your dad, with your cousin, with your neighbors...

Michelle: Basically you're looking for validation from spectators.

Jack: Actually that's the next point I was going to say.

Michelle: Because there is a distinction to make, there are people that in life are spectators, there are people that in life are participants, and there are people that in life are creators. And when you're going out there, and you're in the trenches, and you're the man in the arena, I don't know if you've ever heard the speech from Roosevelt in Paris about the man in the arena that he deserves all the credit, all the glory because he's the one doing the work. So there are these three types of people, and you're the creator, you're not just participating in this thing called...

Jack: You are the man or woman in the arena, and keep that in mind when getting advice from people or when looking for validation. Only accept validation or advice...

Michelle: From another creator.

Jack: From another person in the ring, from somebody else that is in the trenches. Everyone else that is not actively in the trenches, dismiss their advice, period because they might be a university professor in aspects of real estate and teaching real estate theory, but they are not in the trenches. They are not doing the deals that you do, for example if you are into short sales or something like that, of course there is 955 or 90% less short sales now than there was in 2006, but there are still short sales out there, you can still do short sales. Like when the real estate market tank, we still did land deals, when the real estate market came up, we still did land deals.

When the real estate market is where it is right now, we still do land deals, and you know what, the land deals just changed, and the profit margins changed a little bit and the prices you paid for the properties changed with it, but the business model still worked. So don't go to people that have heard from somebody or that are just negative, and let them tell you whether or not this works. You are the man or woman in the arena, and they are spectators, like I hear from some of my students, they ask... They are so eager for validation that they ask a virtual assistant in the Philippines whether or not this works.

The virtual assistant doesn't even know what this is. The virtual assistant is trained to do certain things, not to be a real estate expert. So get a grip on that, and basically make sure that not only do you only take advice from the people... From the other man or woman in the arena, but also that you surround yourself with positivity, with can-do attitude, with people that support you, that don't shoot you down, with people that... with an environment, and again that's what we're doing with the Forever Cash Club. We even have a private Facebook group where people support each other, where they can ask questions to us, and both Michelle and I are on there on a day to day basis.

Michelle: Because this is really it's entrepreneurship, it's in real estate investing, but it's entrepreneurship nevertheless, and entrepreneurs are the ones that need the most protection support, and are the ones that least ask for it, and that least are seen well if they ask for it. There is a lot of pressure and noise out there, and it is good to always have... create for yourself either a community or an environment or a structure that allows you to stay plugged in to positive people.

With that let me move on to number four, and number four is kind of like a tactic on how to basically once you've gone down the rabbit hole of doubt and your negativity, you can pull yourself out of that if you go through what we call the worst case scenario, because once you're in the rabbit hole of negativity and doubt, what happens is that thought have triggered emotions, you're down a path of fear emotionally. You can get yourself out of there again just like you got yourself in it through thoughts, you can use thoughts to bet yourself back out.

What we commonly use with Jack is something we call the worst case scenario. We ask ourselves the question, what is the worst case scenario, and there are several places where you can ask this question. For example, say when you've sent out mailings, and you had all these 200 people calling you back, and you have about 200 offers to make, and this is your first time around, and you can't wrap your mind around, "Oh, my gosh, am I really going to make offers? I have not seen this house or I have not seen this piece of land," even though you have access to pretty much all the resources right now specifically for land that you can in terms of Google earth, Topple maps, everything online, you really don't need to visit a piece of land personally.

Of course, I'm not saying that a physical... Nothing replaces a physical inspection with your eyes but it can be done. We do it all the time. We do it 99.9% of all the deals that we do is land site... that we buy sight unseen.

Jack: Buying houses right now sight unseen.

Michelle: So basically in offer making, you are going to do the best that you can to do your quick due diligence in order to establish value, you're going to send out an offer. The worst case scenario that is going to happen is that, "Oh, my gosh," and there is a provision in the contract that you made a mistake in a specific offer amount, and either a.) You have to back out of the deal or number two you have to renegotiate with the seller. Either way it's no bid, that's the worst case that can happen, say you don't catch that you've made a mistake.

Even when you're in your thorough due diligence period which is once the offer is accepted, and you're trying to close through title, and trying to market it at the same time and you realize you made a mistake, even then say you do buy one out of ten properties where you lose X amount of money, there's nine other deals where you're going to make at least three to $7,000 to offset...

Jack: Or 20 or $30,000, right.

Michelle: To offset, so really...

Jack: Particularly in the land area your down side is almost nonexistent; I mean the worst case scenario I always say is that you make a little money versus a lot of money.

Michelle: Yeah, exactly.

Jack: But even if you do the worst, worst, worst-case scenario and you $5,000 for a property that instead of it being worth $20,000 is only worth $8,000 you are still going to sell it for five. Or if you sell it for three you lost $2,000, but on the other nine deals as Michelle just said if one of ten you lose money which by the way is not the case let me be clear, you might make a mistake that leads you to losing money one out of 500 cases, but even if you might as well to say what if it was one out of ten.

In our experience it's probably was always one of 500 cases, and then we lost like 1,000 of $2,000 versus making money on 499 cases. But even if you look at that... If you say like, "Oh, my God. I lose money on one deal out of ten," if your average profit is $10,000, and on the other nine you made $90,000 and you lost $2,000, I mean how even is that important to relation? It's ridiculous. And that's like in the worst-case scenario for worst-case scenario, your worst-case scenario.

Michelle: So you rationalize this...

Jack: And that gives you the...

Michelle: And you move forward, it gives you the confidence to keep on moving.

Jack: The confidence and allows you to basically think your way out of the box again.

Michelle: Yeah, absolutely, it's pretty much it yeah. So then the fifth thing that I wanted to talk about is once you're in the process of selling your deal, you're going to be like, "Oh, my gosh, this doesn't work. I can't sell my property; nobody is really calling me. Or if they're calling me, I can't get really anyone to put my property under contract," and so this is really even the topic for another podcast, but most likely what has happened is that you have not positioned the deal to look like a deal, and so no need to panic either.

Jack: Right, so we actually have a podcast, a few weeks ago we created one on how to properly structure your sales listing for maximum impact, and without going to too much detail what Michelle says is 100% right on. If you're not selling the property quickly, you're not positioning as a deal, or you're getting greedy and running full market value without any kind of seller financing or something like that in the land area, or you want too much money on a wholesale deal for example in a...

Michelle: And not leaving enough for the others.

Jack: And as everything that I just said has been summarized in Michelle's sentence of you not presenting the deal as a deal, or you not having a deal in the first place, so because you're getting too greedy. So therefore let's look at those both of those just very quickly. If you want to sell a property, house, or land, let's say if it's a house that needs rehab at full market value you're going to be looking for somebody for a long time, because nobody is going to take that thing, buy it from you, and rehab it and not make any money.

They might as well... Why would somebody buy a $200,000 house for $180,000 that needs $20,000 in repairs if they can buy a $200,000 that's already repaired for $200,000 without having to put any effort in it? All right, it doesn't make sense for them to buy it, so don't become too greedy. And the same thing with land, if you're selling a $30,000 piece of land and you want $30,000 for it and you want it cash, well guess what, somebody else in the market is going to be willing to take $30,000 for the similar property and take $3,000 down or $5,000 down and monthly payments. They outdealed you on this property for the better deal.

So you want to offer a deal, but more than anything you want to tell the people what kind of a deal it is, and that's the biggest mistake I see people make, and that's what that other podcast is about. So what you want to do is you want to… First of all, let me ask you a question. If I tell you that I got 20 acres in Northern Arizona, 20 miles away from Flagstaff, Arizona, or 30 miles away from Flagstaff, Arizona for $57,000, is that a good deal?

Michelle: Yeah, I don't know if it's a good deal, you haven't basically established what the value is in the area for me to decide whether what you're offering me is a good deal or not.

Jack: The only people that will know if that is a good deal are the people who probably live within like five miles of that property and know the values in that exact spot, nobody else will know. So don't just put out the price and the size of the property because it doesn't mean anything. Instead, what you want to do is you want to go and start with establishing the value say, "Hey there are other 20-acre parcels in the area that are selling for $90,000. Here is a proof of it." Insert some screenshots and some things that show which one sold are listed for substantially more than yours. Then you say, "Mine is for sale for just $69 or $59,000." Now you're presenting a deal. Now all of a sudden, it's already a bargain.

Number two, now you want to say... And on top of it, if you are considering seller financing, I'll allow you to make a 20% monthly down payments and $500 a month to buy it, Well now it becomes even better because there is way more people out there that can pay five or $10,000 down than those people who can pay $59,000 in cash. So now you've expanded your market to make it even look like a better deal, and then you can top on off and do an addition and say like, "If you're willing to buy cash, I'm going to give you an extra $10,000 discount and you can buy it for $49,000."

Now you got really a triple, quadruple whammy going on here if I may say that. I don't know if that's a proper English expression, but coming from Germany I have an excuse always. And now basically you say the market value is 95, I'm already offering a bargain, on top of it you can do seller financing, and if you're willing to do cash I drop the price even more. And now people's eyes are glazed over and they're like, "Oh, my God, this is the best deal ever, I have to buy this," and that's how you structure a deal as a deal, not saying, "Hey, 20 acres, $59,000.

That doesn't mean anything so that's the piece, and on top of it what you also want to do in your listings, you want to go and relate them to a money lease in the area, tell people how far is it to the next hospital, how far is it to the next grocery store, so that you can show them that while they might be have 20 acres out there, they are not in the middle of nowhere. And you do the same thing with houses, you basically say, this house is worth $200,000, it needs $20,000 on repairs, but I can sell it for $140,000. And all of a sudden people do their math and they say like, "Wow, I put $20 grand in there. I'm making $40,000 on that deal, now it's a deal." Don't just say house for sale that's worth $480, because again except for the experts in that area nobody knows if it's $160, $180, or $200, whatever it is. So keep that in mind to do that.

These are five aspects that are very often the causes for people to say, "You know what? That stuff doesn't work," but have you seen how easy it is to just jump over these hurdles? That makes a difference between somebody who is ultimately successful and somebody who is not, somebody who is willing to stay positively, somebody who is willing to only surround themselves with supporting people, and somebody who is willing to think a little creative, and go back to the source and go back to the programs, and go back to the...

Michelle: And not quit at the first...

Jack: And not quit at the first roadblock, and instead go ask the question, get the clarification, come to the live events, come to the seminars, go to customer support, and get those things answered. Join like an ongoing program like the ForeverCashClub.com, so either way all these things can help. Whatever it is whether it's our program or other programs; make sure you stay plugged in, and we're not saying that because we want to sell something or anything like that, we're saying that because...

Michelle: In our own experience, every time we have stayed plugged in to whatever it is that we're trying to accomplish basically, and we're exercising leadership by creating for ourselves an environment of people that we can go to when we come across certain road blocks or stumble that we have, that protection and support and sane advice from somebody that has been there, done that.

Jack: Exactly, and that's the rubber really meets the road, and that's where financial freedom is created or failures are being created.

Michelle: Because it gives you momentum, staying plugged gives you momentum.

Jack: Exactly, and staying plugged in gives you momentum, and we're paying a lot of money to stay plugged with a lot of things. We plug in to each other, yes and if you don't have somebody like that, then it's even more important, because sometimes we have days when Michelle is down and I'm up, and there's some days when I'm down and she's up, and we pull each other back up on those things. So we have that benefit of working well together.

If you don't have that or even though we have that, we still plug into additional groups, to additional memberships, to additional things that we're on, and sometimes we pay $20 grand for one of those just to be plugged in into that kind attitude in those kinds of places. So if you don't have that, it's even more important that you do that, because you're truly the man in the arena or the woman in the arena. You're truly alone in there, and that requires a lot of guts, it requires a lot of concentration and staying the course and if you don't support, if you don't have a support group for that, you're making life harder than it needs to be. So with that I want to say thank you.

Michelle: Thank you very much.

Jack: Michelle, do you want to tell everyone how they can rate our podcast before we jump out?

Michelle: Yes, please go to iTunes and give us five stars absolutely if you liked what we presented today or any of the other episodes that you've listened to, and give us comments, ask us questions and let us know if there is any specific topic that you'd like us to cover, we would love to hear from you.

Jack: All right. And with that, we say thank you very much and see you next week.

Michelle: Yeah, see you next week.

Jack: Bye, bye.

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