

**EPISODE 299**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**[0:00:24.1] WS:** This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Dave Rice. Thanks for being on the show, Dave.

**[0:00:32.3] DR:** Hi Whitney, thanks for having me.

**[0:00:34.1] WS:** I'm honored to have you on the show. This is a topic that we don't get to talk about enough so I'm excited to have you on but Dave is the owner of REI Books, a boutique bookkeeping firm exclusively for real estate investors. Listen up. Being big real estate investors themselves for a number of years is all need for knowledgeable bookkeeping professionals in this niche.

His wife Laurie's background is accounting with the BS Degree from the University of Wisconsin, background in small business with a BS in pharmacy also from Wisconsin. Their backgrounds, years of successful entrepreneurs, convinced them to hang out their virtual shingle. I want to know a little more about that but they're based in Naples Florida and now serve clients virtually all across the United States.

Dave, thank you again for your time being on the show, you have an expertise that we all need, right? We need your help in this field. You know, get it started, a little more about your business, how you all help people in this industry and then we'll dive into some important facts about it.

**[0:01:32.6] DR:** Sounds great. We've been real estate investors for six or seven years now and my wife Laurie and I and after we had sold a previous business, this was kind of our next venture. We've had some successes and some failures with it like most honest investors have and I was actually talking to another investor that I've had bumped into somewhere online and bookkeeping came up and I said, well, my wife Laurie does that for us, she has for years and the conversation stopped and they said, you need to be doing this for other people.

We need help with this. We kind of looked at it and actually put a couple of notes in our LinkedIn profile and that's when it really took off. We found that real estate investors are typical entrepreneurs. They're good at going out and talking to people and finding deals and having those uncomfortable conversations with sellers who are under pressure and have problems and that's not an easy thing for people to do.

But sometimes the details of the behind the scenes details are not their forte and almost every real estate investor role, usually admits to that. The details, it just escapes them. We felt like we have something that we've been doing for ourselves and could offer to others and I put in a couple of notes on in LinkedIn and all of a sudden, we had clients. We never really thought about the virtual aspect of this but between cloud accounting systems and teleconferencing like you and I are right now.

An email and telephone, we have clients across the country and we know them well and we work great together and it just plain works. It also fits into our lifestyle, we've been self-employed forever and I'm utterly and completely unemployable. But this works, we work when we want to, where we want to and we can do our job and help people.

What we usually tell real estate investors is don't do what you're good at and outsource the stuff that takes more time than you want to put in to it and so just like they outsource all kinds of other things, they outsource bookkeeping to us. It just plain works. Almost all of our clients come from existing clients or from a few referral partners.

We're not out there, we don't have to do much marketing, we just kind of have to be there and the business has blossomed in two years.

**[0:03:51.2] WS:** Dave, I'm looking forward to this. This is the topic that like I said, we all need to be more educated about and we need to be most likely hiring someone like yourself to help us with this and you know, I look forward to you telling us you know, more about this. As far as outsourcing the bookkeeping. Let's get into, what does that look like to hire somebody like yourself, how do we work together as far as obviously in a syndication business.

What are you doing for us specifically? A lot of people use the term bookkeeping but what is that?

**[0:04:17.5] DR:** Well, what it really amounts to is as a syndicator, there are multiple LLCs that are typically set up. There's almost always two and usually more than that, for the management and then for the owners. There's a rather intricate way that those have to match up throughout the life of this LLC which is typically in the range of five to seven years.

What happens is, all of the income and the expenses and the investments, the assets, the loans, all of that has to be tracked on a monthly basis so that we can report to the owners what is going on. We count on a local property management firm to actually collect a rent and take care of the repairs and all those kinds of things.

We're kind of the overarching – we're not going to keep track of how much rent you collected in each apartment but we're going to keep track of how much rent you're collecting and how much you should be collecting as a percentage of the hole and we're going to put all of that information together through all of the month and at the end of the month, the syndication is going to get a set of financials which is a balance sheet which lists your assets, the things you own, liability. It's the things you owe and the equity.

And then we'll also going to give a monthly profit and law statement so that you know, not only if money was made but where it was made, all the expenses will break it, we can break it out, however it needs to be done. We also like to do a year to date, a profit and loss statement each month because that's important to people. We also like to do a quarterly statement because sometimes quarterlies, they're a little bit more meaningful than monthly statements.

The way it works virtually is we setup a unique email address to each of our clients. So that all of the receipts and everything that comes in just flows to that email address throughout the month, we use Gmail because all Gmail to Gmail is encrypted. That all comes in to us, we setup and use QuickBooks Online exclusively, we setup however many LLCs we need for each syndication in QuickBooks Online.

The beauty of that is it's all on the cloud, we don't have to worry about security, we don't have to worry about backups, it's all being done by it which is a multibillion dollar company and it allows us to access to books, it allows our clients to access a book, it allows us their TPAs to access the books.

Everybody that needs to that access can access it in real time. It really makes things work, we don't have to worry about time zones and phone calls and all of that. In a nutshell is what we do, we're going to tell you exactly where the money is, whether the money goes every month through all the life of that syndication.

**[0:07:01.2] WS:** Nice. On our end, what do we need to have setup for you to be able to do that? We need to be using QuickBooks, is that correct?

**[0:07:09.6] DR:** Well you do, but that's something we will set up for you and in fact, we recommend that you don't set it up on your own because I'm a pro advisor with QuickBooks and I get a big discount and I can pay for your QuickBooks subscription throughout the life of the time that you've hired me. It's your data. It's your subscription but I can pay for it and I can save about 50% on the monthly cost on that. We're happy to do that as part of our services.

**[0:07:35.7] WS:** Wow, okay. You know, I was thinking about our properties and the different entities that are owning these properties and things like that. We may have numerous QuickBooks accounts for different deals and things from if you have different entities that's happening. Is that something you're going to help, you're going to be doing the bookkeeping for numerous deals for these operators at one time?

**[0:07:54.3] DR:** We can do that. Right now, we service clients all over the country but a typical – let's say a group is pushed together to buying an apartment complex and they set up one entity

to purchase that property. That is – an LLC that gets up and we would setup a QuickBooks account to track that.

Then there's usually another entity that is set up as part of the management because sometimes there are owners who have equities or other owners who might have equity based on something other than a monetary contribution. Those have to be tracked properly.

It's always to mention, sometimes more than that and there's a delicate way that those all interact as income flows in and out of those equities for one specific property. We're going to track all of that money flow in each of those entities. Between them and among them.

**[0:08:46.8] WS:** What is that communication look like? If we're using QuickBooks or something like that, like you said, it's something you're logging into, we can log into. You all can work on it as you need to or when you need to and we're not having to do anything as far as that's concerned.

Obviously we're putting a lot of information but you all are monitoring that in the back end without ever having to communicate with us at that point but then, what are we emailing, you mentioned having that email account. What are we emailing you and what does that look like?

**[0:09:12.4] DR:** Well, what we do, it might be a little bit different with the syndication with smaller real estate investors but one of the things that QuickBooks is really capable of is, we can actually attach receipts and even statement to specific transactions.

The beauty of that is as we build a set of books, in essence, all of the proof, the receipts can be attached right to those transactions so that if an auditor would have to look at that or if a member wants to see exactly what has been happening, we can prove what's happened here.

The way QuickBooks operates is we have things that just connect right into it. We literally get the bank information almost real time, it's within about 24 hours and so we're following all that money flowing in and out and we're figuring out what has happened based on the information that our client provides.

There are all kinds of regular monthly expenses that go on with maintaining an apartment complex and we're going to track all of that and you know, we get to know over the months, what exactly is going on and will attach any receipts that are sent to us as optional but we're happy to do that and as far as the actual syndicators, they don't ever have to access QuickBooks for anything.

We're going to provide all of the reporting on a monthly basis. I like to tell my clients, it's your data, I want you to be able to access, I don't want you to go in and make any entries because that's our job. But I want them to be able to understand that they can go in and pull reports on almost anything.

If they want to know how much are we spending on marketing, they can certainly call me but they can also go into their accounts and they can see, how much are we spending on marketing? How much are we collecting on rent? How much is it costing us in evictions every month. All these kinds of things are all available in QuickBooks.

The way it's setup is we set up is we set the account up but we have account access to it, it's always the client's books, it's their books, it's their data. We make that very clear, we want to make sure that there is that data and that they own it.

**[0:11:15.6] WS:** How do we know that we are working with like a qualified bookkeeper like yourself? If we're looking for somebody that's a bookkeeper that service. How do we know that we're working with somebody that's qualified?

**[0:11:27.1] DR:** Well, it's interesting. Bookkeeping, I've worked in a number of regulated industries and frankly bookkeeping is a little bit of a wild wild west. Anybody can say they're a bookkeeper and there's no rope to qualifications necessary, it's really just experience and so we just sit back and say okay, I can give you plenty of referrals of other clients who we've worked with, they're all real estate investors, the only clients that we take but the main thing that we have over most bookkeepers is –

My wife Laurie, she actually has a bachelor's degree as you mentioned it in college. She understands the theory of what we're doing. I can make most of the entries but Laurie understands the theory and what often happens to us when we take on a new client's books, they're a mess.

No one ever calls us to say everything is great, can you take it over? Well, they might say that but that's never the case. We often are given a puzzle that we have to unsort and put back into place. That's where Lorry's expertise comes in. She's just really good at seeing that puzzle and seeing where things go and like I say, I give her all the credit in the world for it, she's brilliant at it.

That's where we are but to be honest, like I say, anyone can say that they're a bookkeeper.

**[0:12:39.8] WS:** Okay, we need to I guess talk to numerous people or just call you, right? How can we be more prepared with our books? How can we make sure our books don't look like the ones you're talking about that are a mess. What are some things we should be doing on our side to make sure that they're as organized and prepared as possible?

**[0:13:00.3] DR:** I like to tell people, even if you're not ready to hire someone like me, there's a few things that you can do so that you can really be prepared. There's a couple of things that go into that, we want to make sure first and foremost that all of your expenses and income are going in and out of a business account. It's absolutely vital that your business expenses and income are separate from your personal income, separate from your personal accounts. It's just extremely important and the next part that's really important is if you have multiple LLCs like the typical syndicator.

It's really important that those expenses and income are kept separate. It's just really important for bookkeeping and it's also important legal wise because the whole idea of keeping business books separate from personal books and keeping businesses separate is that if they don't do that and there's a legal issue, the legal health can come in and say that you're not operating as a business.

There goes the corporate veil. That's what we're working hard to prevent. We want to make sure that if things are done correctly that you're operating like a proper business like it should be. So that is why we stress that so much and we want to make sure that separate books for each entity keep the business out of it. We also suggest that people set up a couple of email addresses and all of those receipts and everything that you always getting into email now, you don't know what to do with them at the moment, put them in a folder.

Put them in an email folder and save them and you could even break them down by vendor or by month or however you'd like to do it but get them all somewhere because if all that information somewhere at some point, somebody like me can come in and unsort that. It is when all the information isn't even there that we have to really dig and ask a ton of questions and make some kind of assumptions that we don't like to make.

So it is just a matter of being organized at the start and then let somebody let a real bookkeeping professional put it all together for you down the road.

**[0:14:59.3] WS:** So what about those receipts, you know should we be keeping all receipts or is there some specific types of expenses that we need to be keeping receipts for? Which ones are good to keep or throw away?

**[0:15:11.2] DR:** Well, this is a little bit of a sticky subject. We are happy to say that we have receipts for everybody for every business expense that they have and it is a bit of a nuisance but the honest answer is, it is up to the client whether they want to keep receipts but if they ever get audited that is what the IRS is going to ask for and for that reason alone, we highly recommend it and that is the beauty of it. Once we can take that receipt and turn it into an electronic attachment under the QuickBooks file, they're done with it.

They don't have to worry about it anymore. It is there permanently and if you really want to get technical about every business expense needs to have a receipt that is saved and attached, that is the ideal world. We know that we don't always live in an ideal world. We keep track of it as best as we can but the more records and receipts that are kept the better off the business will be if that horrible time ever comes when they have to prove their income or their expenses.



**[0:16:09.0] WS:** Okay, so it is not just some of them. We should be keeping all of them in some way but it makes sense that everything is electronic now. If we can just take a picture of it and attach it somehow or send this even to our self and put in a folder or however, as long as we have those even if we did it right away it can even be on date order.

**[0:16:26.7] DR:** And that is exactly right. That is exactly what we tell our clients. We say at the very least, everybody's got a phone with a camera take a picture of the receipt and email it to us and now you are done with it but before we get involved, take a picture of it and email it to yourself and that is exactly how it starts, those lasts forever and they don't take that much space and that is an ideal way to keep all of that because even if you had to go back and dig through those someday that is still easier than the alternative.

Which sometimes is people literally having to go back to vendors in past and saying, "I think I bought something in June. I don't know what it was but I think I did" and how in the world are you going to find that stuff. It is just really crazy not to nowadays that everything is so available to us electronically. We are happy to keep it and make sure that is safe for you.

**[0:17:19.4] WS:** What is the hardest part of this bookkeeping process especially working with syndicators and real estate investors?

**[0:17:24.8] DR:** The hardest part is keeping up to date. We want to be up to date as much as possible all the time. We are in all of our client's books at least once a week and the hardest part is when there is no information that we need is getting them to send it to us. We can't guess and we learned fast when we see things you get repeated from the same vendors and then all of that is pretty easy to figure out but we learn fast but there are just enough things that happen out there that we need answers for.

And typically our clients have a once a week they will receive an email from us with a list of questions. Usually it is just a few sometimes it is more but we'll say we have this expense on this day, went to this vendor or sometimes we don't even know the vendor. What happened here or we have a deposit, we have a cash deposit, \$5,000. What happened here? Those are the kind of questions that we ask because like I say, we can't guess and we are very good at what we do.

But we can't read anyone's mind and those are the kind of answers that we get and most kinds are really be able to buy and it is kind of a training process with us with our clients since once they understand that this is important to them the reason that they hired us then they are much better about getting information to us. We try not to be too intrusive, but usually about once every week or so or maybe every two weeks there is enough questions that we like to get settled.

I told one client one day, I said, "I am really good at nagging people" and he said, "Well I am good at being nagged" so we get along just fine.

**[0:18:53.6] WS:** Good, yeah you're right. You can't guess so we got to send this information to you, right? That is why they are hiring you anyway.

**[0:18:59.9] DR:** That's right. So the quicker we can get it off their plate and under our plate and they can get back thinking about the next deal or what they got to do to keep this deal alive, they are looking for the next partner or the next money partner, a lot of much larger decisions that are more important than the bookkeeping, we're happy to be in the back problems and take care of something behind the scenes.

**[0:19:19.6] WS:** Awesome, okay and anything else about bookkeeping before we change gears Dave that you really like to tell the listeners?

**[0:19:27.2] DR:** Well all I'll say is that we're truly blessed with the clients that we've built up over the last couple of years and we found that most people in small businesses just never got the basic financial background and education that they truly need. I think that is something that is still lacking in our schools and clients are sometimes embarrassed to say to me, "Well you said that is an asset, what does that mean?" and we're happy to explain the basics of what they're going to see in their financial statements.

And in fact, one of the things that I do every month with every single one of my clients, we go through their books every month. We send them a financial statement and then we go through it line by line if necessary to make sure they understand what is going on and usually after a few

months, then it is just a question here and there but I am always amazed at like I say people sometimes are embarrassed but it is okay, we're here to help and we are here to help you learn and understand.

You got a business going and the financials are the life blood of the business. You need to understand what is happening here. We are happy to make our contribution.

**[0:20:28.5] WS:** Yeah, I am sure a lot of us would be embarrassed by our books the way they are kept or the waiting until the last minute to try to get all of this stuff together right? And make sure we get all of our receipts in order.

**[0:20:38.8] DR:** That's right and we often get you know in September-October when people are starting to get desperate to get taxed filed, we get a lot of new clients in unfortunately.

**[0:20:47.0] WS:** I bet, I bet you do. What about if I gave all of my books to you, how far would you go back or how far would we need to or would we just start from today and go forward?

**[0:20:56.5] DR:** We almost always go back to at least in the beginning of the year. You know often part of our interview is when were the taxes last filed. If your taxes have been filed let's say through 2018 and then we are not going to go back and worry about 2018. That is done and gone but when we check our clients in the middle of the year like this, we really have to go back to the beginning of the year and get things right so that the whole year is correct and that is really important.

And that is often painful for people because there is a cost associated with that but it is just plain necessary. If you want to be able to A, know how your businesses is doing and B, be able to file and pay taxes we have to have the complete books for the year. So I mean we go on back as far as three years with clients two of this couple and said, "I haven't done anything for three years. I don't know where to start" and we start with them and work our way back.

I mean I've got clients right now that are just now filing taxes in 2017. So it does happen. We are willing to do it. It is a lot of work but somebody has to do it in order to get things right. You are never going to be correct going forward until it is right. So I sometimes use the analogy that

if you have a car that you haven't serviced for a long time it may cost a little more than you like to get things back up the snuff. That is what we do, we will get your books back up current and then we are going to keep the pressure on staying current and staying accurate going forward.

**[0:22:22.7] WS:** Nice, so Dave what is a way that you have improved your business lately that we could apply to ours?

**[0:22:28.6] DR:** Well, we are using less and less paper all the time. That's a great thing. I am truly amazed, I mean the older generation from you Whitney but you know we came from a paper and pen background and I have been amazed at more and more of the technology that I use in my business and that I can recommend that my clients go to. I have clients who run large businesses from a cellphone. So we are embracing the technology as quickly as we can learn it and the world has sped up because of technology and we have to speed up to keep up with it. So I guess that's where I would put my emphasis.

**[0:23:05.4] WS:** Nice and what's one thing that has contributed to your success Dave?

**[0:23:09.5] DR:** Well, you know we have always been hard workers and we had some successes and we understand that it is a matter of this is a relationship business just like anything else and one of the things I always tell clients is this is a difficult decision to turn over something as personal as your business finances to somebody you don't know and we take that responsibility very, very seriously and we're happy to do it. We never discuss business with clients with other clients obviously. All of that is really, truly sacred to us but we found that niche that fits our lifestyle frankly and that has been the best thing about this.

**[0:23:47.3] WS:** Nice and so how do you like to give back, Dave?

**[0:23:50.5] DR:** Well there is a couple of ways that we have given back, Whitney. You and I have something pretty special in common. We've just recently found out we have two adopted grown children who we had adopted from Korea when they were infants. They are not 31 and 34 and I couldn't be prouder of anything in my life than my two kids. My daughter is an officer in the United States Coast Guard. She lives in Washington DC, has a great career.

My son is a retired Infantry officer, spent two years overseas, two difficult years for us to go overseas and they made our lives, they really did and our son actually is married. He lives here in Naples, actually just a few miles from us here it was a real shock to us when that happened and they have their own daughter and another one on the way and they are the new lights of our lives. I can't imagine anything greater than being grandparents now.

So that has been a really big part of our life and when it happens, it was a very, very big deal to us. The other kind of interesting facet where we feel like we can give back when I was over an interesting church here in Naples. It is the largest outdoor congregation in the country. We don't have a building, we meet in a park in downtown Naples every Sunday. Myself and a number of other people and my wife, Laurie, we actually go to church every Sunday morning at 7:30.

We put up between 500 to 2,500 chairs, we build a whole hospitality area, we put all that up and have our service and take all of it down. That is where we feel our contribution is most valuable throughout our community.

**[0:25:23.4] WS:** Wow, thank you for sharing that, Dave. I will say we are very passionate about adopting children as well and thank you for doing that and thank you for just connecting and sharing that way, an outdoor congregation. That is interesting. That is definitely unique but something I would love to learn more about. I mean you have been a great guest, Dave. I really appreciate you elaborating on the importance of bookkeeping and your services and what that looks like to work with somebody like yourself and then tell the listeners obviously it's very important, how do we get in touch with you.

**[0:25:51.1] DR:** Well, we have a website. It's reibookkeepers.com and all of our contact information is there. You can go in and there is a contact form in there, our phone number is there. We have some testimonials from the distant clients in there. That is where you will find out everything you need about us and we are happy to answer your questions and talk.

[END OF INTERVIEW]

**[0:26:16.5] WS:** Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your

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[OUTRO]

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