

EPISODE 331**[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]

[0:00:24.2] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Ben Risser. Thanks for being on the show, Ben.

[0:00:31.4] BR: Thank you for having me. I'm glad to be here.

[0:00:33.2] WS: No, I'm honored to have you on the show. Ben and I met at a conference, I guess over a year and a half ago now and got to have a meal together and got to know him. We talked a couple times since then and learned each other's businesses a little bit. He has some very valuable abilities and uses a – things that he's doing his business that he's going to be able to provide lots of great content today and help us in a big way. Thanks again, Ben.

A little about Ben, he's a recovering aerospace engineer. That's interesting. 560 plus units syndicated in partnership with Matt Faircloth of the DeRosa Group, who Matt's been on a couple different times and I know the listeners are familiar with him as well. Ben is primarily focused on the operations and finance side of the business and we're going to hop into that today. Ben, give the listeners a little bit more about your background and let's dive into how you're scaling these systems and processes that you're working in the background that's making this business so successful.

[0:01:25.8] BR: Sure. Like you said, I'm a recovering aerospace engineer. In the beginning of my career, I was – well, I graduated from Penn State, so I got to get the shout out to Penn State first. Then got my first job at Boeing in Philadelphia. I was an engineer on the CH-47 Chinook program in Philadelphia and worked there. Great place. Great company. I worked there for just under nine years, I believe and moved on. Through a complicated sequence of events, found myself doing real estate full-time.

I'd been studying real estate for quite a while while I was working full-time and then at some point through God's providence, I was able to jump in full-time. That's what I'm doing now, doing syndications with Matt and Liz Faircloth.

[0:02:06.9] WS: Awesome. Well, we think very highly of Matt and Liz and I have been honored to have them on the show as well and look forward to our conversation, Ben. Give us some details about what your role is in this operation and then let's dive into some of your specialties.

[0:02:20.1] BR: Sure. Where I began working with Matt and adding value to his goals was in the area of underwriting and acquisitions. I would underwrite opportunities that I would find, or he would find and I underwrote countless opportunities before we closed on our first deal in January of '18. Since then, my focus has shifted from doing the underwriting to overseeing the acquisitions team and the tool and the processes.

I'm really moving more into an operations systems focus and also finance, basically making sure the money flows through the companies and the dollars go to who they need to go to, when they need to go to them. Those are things you don't necessarily learn, or that's not the sexy part of syndication that a lot of people advertise and try to promote in their educational programs. It's something that comes upon you once you acquire the asset at the scale that we're at, we're at around just over 500 some units, you start to find bottlenecks in your business and those things become readily apparent when you start to scale on the volume of transactions and the volume of dollars flowing through the business and you realize, "Wow, my systems and processes need to be restructured to support the scale and continue growth." That's really been my focus this year is just building scalable systems.

[0:03:47.8] WS: Nice. I'm looking forward to getting into that. Can you describe a potential bottleneck that has happened, or happened recently, or just something that the listener can also expect that to come as well as they grow? What's a bottleneck that you all have had and had to work through?

[0:04:01.2] BR: Cash management. When you're managing a single property, the number of transactions that have to be taken care of. We use QuickBooks online right now and just making sure that your team members are getting paid when they're expecting to get paid and investors get paid when they're expecting to get paid and all the vendors and lenders and complying with loan covenants and things like that. All that has to do with having a system in place where money flows freely and on time. At a certain scale, you can't do it all yourself and we're in the process of onboarding a vendor who's going to basically take the cash management and financial reporting aspects off of my plate and I'm very eager for that.

[0:04:47.2] WS: I bet. So, you've been using QuickBooks and you've been doing that yourself up to this point?

[0:04:52.1] BR: Yes. I've tried to use some online tools to do electronic payments, but seemingly, there's a lot of challenges that happen when you have partnership company structures and you have companies paying companies that have interest in each other. A lot of these software companies have hard stops on those types of transactions, because that's considered self-funding, but that's the way a partnership works. One entity pays the partners.

I don't understand why the industry hasn't adjusted to support partnerships, but that's been one challenge of streamlining those transactions is finding a way to have our entity structure, have the money flow through it and do it electronically, so I don't have to write checks and lick stamps and envelopes.

[0:05:40.2] WS: Yeah. It's nice to hear you talk about that though, and just the frustration, this bottleneck of this cash management and how you all are moving forward in that and going to improve. You've got to jump over that hurdle to hire this new person, find them and train them, make sure all that's functioning and that process and system is working accurately. Once you do

that, then all of a sudden, you're going to have probably a better system, a more accurate system and more time for you to focus on other things.

[0:06:05.6] BR: Oh, absolutely. The cash management and bookkeeping and all that is not my highest and best use. We've gotten to the point now where it's time to find somebody who is gifted in that and specializes in that. That's what we've done and we're excited to move forward there.

[0:06:22.7] WS: Nice. Are there any other bottlenecks that you can share about?

[0:06:26.7] BR: Yeah. When you get to a certain number of assets on the construction management side, I would say, it can be challenging to handle things in Excel. Because one of the challenges is when you're dealing with a bajillion invoices a month, how do you know that every invoice is valid? How do you know that you didn't already get billed for those set of appliances? Having a system in place that can catch those types of things does impact your bottom line, because why buy two sets of appliance for the same unit when you should have only bought one? If that happens too many times, or if a vendor either maliciously or not maliciously bills you twice for labor and materials, that will impact your capex budget and ultimately, you won't be able to achieve all the value-add that you underwrote to achieve.

So I had built a monstrous Excel tool that catches all that. Turned out, I was the only person that could use it. That's really not scalable, because I'm the single point failure there. We're going through the challenge of trying to procure a software tool that works for the team. It can't just work for me. It has to work for the team, the people doing the work. We're in that process and just being able to handle all the paperwork and then the lender requirements, withdrawals and keeping track of all the dollars and the integrity of the invoicing and the bills we're paying. That's definitely something that will show up once you reach a certain scale.

[0:07:50.8] WS: Yeah. It's hard to when you're at that scale, there's so many invoices, right? There's so many things happening. It's hard for you to track, "Well, did I pay for this already or not?" Even a vendor, they're invoicing so many people as well. It could be a legitimate mistake that they invoice twice. Then if you're trying to stay on top of paying those bills and you pay it before you realize that you already paid it, right?

[0:08:11.7] BR: Yeah. Then once the money is out the door, good luck getting it back, because they've already spent it.

[0:08:15.8] WS: Right. Yeah, it's been spent for a long time. Let's dive into maybe another scalable system, or process that you've had to implement as you all have scaled. There's numerous people listening I know that have maybe they've got their first deal, or two deals and they're getting to that 2 or 300 units, maybe up to their 4 to 500 units or more and they're looking to create these scalable systems and processes as well. What's another system or process that has helped you all, or that you all have implemented because of the growth?

[0:08:45.3] BR: Well, there's two areas. On the asset management side, there's having a system and process in place where you are able to collect the key performance indicators of each of the assets and measures that do basically a pro forma to actuals analysis, so that you have your finger on the pulse of what's going on. If you're trying to do all that in Excel, what you end up with is a double entry going on between Excel and your bookkeeping system. We were living with the pain of double entry for a while. We're pushing very hard to get into a system where it's only single entry.

So all the financials and all that, it's all in the same tool that you're entering the data once and that you've got your pro forma in that tool and you've got your actuals in that tool and the tool generates the analysis that you're looking for and you don't have to enter that stuff into your accounting system. Then also enter it into a spreadsheet, or download from your accounting system into a spreadsheet and then do all this data processing, which opens you up for error. Unless, you're a boy genius computer engineer and you can write macros that do everything for you, a lot of this is a little bit manual in Excel.

We're trying the best we can to get out of Excel tools, though you have to be careful that you don't get out of an Excel tool into a tool that's more complicated than Excel and it's taking up more of your team's time than it was in Excel. Procuring tools is critical, I think to long-term success. It's critical to your team members not killing you, or quitting.

I would say having a solid system in place to do pro forma to actuals, prior to acquiring your first asset is good. Don't just focus on the tool that allows you to get into the asset. Before you get in the asset, think about what tool am I going to use to do the budget actuals and actually do a proof of concept before you throw yourself into that?

[0:10:40.9] WS: Is there a system that you can share with us that you all like, or that you're moving to, or that you could suggest?

[0:10:45.6] BR: Well, what we're moving to is a phenomenal bookkeeper and QuickBooks based on the reporting capabilities of QuickBooks. Right now, we're using a software tool on the construction management side that interfaces with QuickBooks. The goal there, once that software is fully implemented is all the capex transactions are entered once in that CM tool and that CM tool talks to QuickBooks, and so we can do comprehensive financial reporting at the property management level, but also on the capex level, because our software is talking to QuickBooks.

You can put budgets into QuickBooks and then do budget to actual comparisons. We're getting there. We're in the process of implementing all this and we're going through the growing pains of getting this up and running. But it's easy to dream something up, it's hard to implement it.

[0:11:35.2] WS: Yes. Yes, no doubt about that. I couldn't remember, do you all self-manage?

[0:11:39.9] BR: No. We use third-party property managers and then we asset manage.

[0:11:44.9] WS: Okay. So then how much of the accounting is done by the management companies and then is that a double duty that they're doing it, or are they doing it and then you all are doing some as well?

[0:11:54.5] BR: The model that we're using right now is that for the operations account, the security deposit account, and the escrow's account, those are three bank accounts that the property manager is managing and controlling and bookkeeping on. Basically, I give them a chart of accounts template that I want to see my financial reporting in. So they give me their financial reports for those accounts in the format I request.

Then for the entities that sit above the property management accountant and that asset, that entity that holds the asset, our bookkeeping team will then do all the transaction of bookkeeping and financial reporting and I have a guy who's going to be a controller. His job is to ensure the authenticity and integrity of the financial reports he generates every month. He's the guy with the stick, making sure that everybody is giving him the data he needs to give me high integrity data, so that I have financial situational awareness and that we're being proactive and not reactive.

[0:12:57.2] WS: I like it. I know you talked a minute ago about having these processes, or everybody talks about the processes, or systems getting up to buying that property, but not many people afterwards. You're elaborating on some of that now. Are there any other systems that we need to be thinking about that you can think of, or that you all have implemented, or processes to help us after we've acquired that property, you know, the real work begins now, right? Anything else that has helped your all's business after you've closed?

[0:13:23.2] BR: Well, I would say going in eyes wide open before you close and having those asset management tools to do the performance and financial reporting is key. Then also as you scale, you will need some kind of solution to manage investor communications. We're in the process of procuring an investor portal-type software. There's a bajillion of them out there. We're zeroing in on a vendor for that.

Just being able to have clear, timely communications with your investors and automate the paperwork as much as possible, because when you start the scale, when your investor list gets into the three-digit area, you need to have software that does batch work. We're also systemizing in that area, because at our current scale that was becoming a pain point, that's becoming a bottleneck. We're getting close to implementing a particular software. Being able to generate K1s, monthly financial reporting, and deliver that content to the investor predictably and consistently, being able to put our brand on it. Then if we have any team members that help us with investor communications that they can maintain their brand and all that kind of stuff and have a consistent face to those individuals who have entrusted us with their capital.

[0:14:44.7] WS: Very important. Yes. We've been working on the same thing and we've experienced that bottleneck, just the subscription agreement process and all of those things. If you're doing that manually and you start doing larger deals and a lot more investors and yeah, it's a nightmare if you're doing that manually.

[0:15:00.7] BR: Yeah. You have to have at least the mindset that something that's stuck with me from the Kiyosaki books is how, for me, the way I'm wired, I'm wired to build pipelines and to not carry buckets. When you get at a certain scale, you realize that, "Man, I'm carrying buckets and I can't carry any more buckets."

Putting the time and effort in to build these scalable systems is you're putting in the work to build a pipeline, so that the carrying the bucket parts is no longer needed. Pipeline efforts are required to scale. That's really, you know, like I said, that's been my focus.

[0:15:35.1] WS: Nice. Ben, through this syndication journey and from an aerospace engineer and now you're a full-time real estate, what's been the hardest part of your syndication journey?

[0:15:44.6] BR: I would say the transition. I started out working full-time for a large company and trying to do this on the side and then the kids started showing up. Then you find that your time just starts to dwindle. The hardest part I think was trying to start this business on the side. The way that it was overcome, I'm not going to say I overcame. I'm going to say, God overcame it, because I got laid off and it pulled the rug out and put that decision, that fork in the road of like, "All right, do I try to jump back in engineering, or do I pursue this full-time?"

I think it put that decision front and center. Ultimately, with the support of my wife, I would never do it without her support. We decided to venture into the unknown and for me to pursue syndication full-time. That is a challenge when you're trying to make that leap from part-time nights and weekends and then to full-time and all the financial practicalities of that happening, it's real. I feel people's pain when they're at that point where they want to jump over to it full-time, but it's tough to make a – it's a leap of faith.

For me, it was a total faith thing, where I just believed that this is where God was calling me and he's not going to call me to something and let me just fall flat on my face and fail. Not that I

wouldn't have failures along the way, but I know that His future grace is there for me and being obedient to Him. That's really what allowed us to make that leap.

[0:17:14.4] WS: Nice. I appreciate you sharing that and doing it on the side, while you're working full-time. I mean, it's no joke. You've got to be willing to put in many long hours, no doubt about it. Then like you said, having the faith to just make that step and jump and I appreciate you sharing that.

What is maybe a big way that you all have recently improved your business that we could apply to ours, maybe something we haven't talked about?

[0:17:35.4] BR: Yeah, I'll tell you this, the recovering engineer part. As an engineer, we're wired to be stupidly analytical and overanalyze everything to the nth degree and then analysis-paralysis thing. I had this mindset coming from being an engineer that, "Oh, I can engineer every aspect of this business system. I'll design it and I'll just want the people in." That I'm finding is a recipe for delayed success, because I needed to stop thinking like an engineer and I needed to start thinking like an executive, where you find the right person for the right seat and you tell them what results that you need and you allow them to work in their strengths to give you those results, rather than trying to build out a system that you're going to plug them into.

I think that recent change in mindset has really set me free to not feel this burden that I have to engineer every little detail of the system that anybody is ever going to interact with and working with me. That was the thought behind being a recovering engineer and just not engineering everything to the nth degree, but willing to let go of some things.

[0:18:42.6] WS: Nice. What is your best advice for caring for investors?

[0:18:47.2] BR: I would say, communicate to them and set their expectations for what you're projecting. If you're having challenges in the asset, be clear with them and communicate with them. I think the worst thing anybody can ever do to an investor would be to go silent, then all the wheels start turning their head like, "What did I just get into?" I think communicate to them with them and set their expectations. As syndicators, we want to under promise and over deliver. I think, viewing their dollars as your mother or father's money.

Matt Faircloth runs the equity side of the business, but I view his investors as my investors. I take it as the same seriousness as if that's family money. People I know and love who trusted in me and that's the level of seriousness that I take when I work in my business every day is I need to keep my commitments to those people, even if those people never met me in person. I bear the weight of this is family money.

So I think the attitude at which you approach your business. If you were an investor, how would you want to be treated? I think, the Golden Rule it applies to life and it applies to business.

[0:19:57.0] WS: Yeah. I couldn't agree more and like how you talk about it as family money. It's your family's money. That's a great way to look at it. If you had to pick one thing, Ben, that's contributed to your success, what would that be?

[0:20:08.3] BR: I'd say the support of my wife. Secondly, perseverance. Because this syndication is not a get-rich-quick scheme. It takes time and it takes a lot of sacrifice. Like Robert Kiyosaki said, those people who are very successful they were able to delay gratification for the longer vision. I think a lot of our culture is we want gratification now. I think you have to throw that away.

I would say the support of my wife, she's the one that frees me up to go up in my office and work till midnight, often multiple times a week. I still do that. Still putting in as many hours as I can, but I'm also balancing it, saying, "No more than this many nights a week." The rest of the nights I'm investing in my wife and my relationship and my marriage.

[0:20:55.9] WS: Yeah, and kids in there too somewhere, right?

[0:20:58.8] BR: The kids are in there too. Yes, sir. I've got three of them and they're all under seven, so I'm very busy. They teach you about yourself every day.

[0:21:08.9] WS: They do. I agree. I've got three under seven as well. Ben, how do you like to give back?

[0:21:14.3] BR: Well, something that I'm passionate about, I'm passionate about the sanctity of life. That both relates to the unborn and the living. The one area is anti-human trafficking and the other area, I'm a candidate for a board position in the process of being brought onboard for the Susquehanna Valley Pregnancy Center. It's a local organization here in Lancaster, Pennsylvania. They have a reach that's much broader.

Just helping people make gospel-centered decisions that honor the sanctity of life when they're – when unexpected situations come upon them. Helping them to have an eternal view and the decisions that they make today.

[0:21:53.1] WS: Nice. Appreciate you sharing that. That's awesome. I'd love to hear more about that sometime as well. I appreciate you giving back in that way and just your time today, Ben, in sharing just your expertise and helping us to learn a lot about growing our business and those bottlenecks that are bound to happen if you continue to grow.

Before we go, tell the listeners how they can get in touch with you and learn more about you.

[0:22:13.3] BR: Probably the best way to get a hold of me is through my email address, which is b.risser@providencecapital.org.

[END OF INTERVIEW]

[0:22:23.7] 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 feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook, so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show. Subscribe too, so you can get the latest episodes.

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[OUTRO]

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