

**EPISODE 405**

[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 Mark Willis.

Thanks for being on the show, Mark.

**[0:00:32.6] MW:** My pleasure, glad to be on.

**[0:00:34.5] WS:** Mark is a certified financial planner, a number one bestselling author and the owner of Lake Growth Financial Services, a financial firm in Chicago. Also cohost the Not Your Average Financial Podcast where he shares some of his strategies for investing in real estate, saving and paying for college without going broke, that's a good one right there. And creating an income and retirement, you can't outlive. Considers it his mission to help others think differently about banks and works with people who want to grow their wealth in ways that are safe and predictable.

Mark, thank you again for your time, give the listeners a little more about who you are and let's dive in.

**[0:01:14.4] MW:** Sure, yeah, you know, it was in the midst of the great depression that my wife and I graduated from our college degrees with six figures of student loan debt, no job, no plan

to pay the debt and all of a sudden we kind of woke up to the fact that we had to sort of take control of this monster that had become a monthly burden on our backs and as I looked back over that season, it was sort of a cold bath that I'm thankful for today but boy, was scary then and we found a way over time to dig ourselves not only out of the hole but actually build real wealth as we paid of our debt at the same time.

It got me so interested in finance that we opened up our financial firm here and it's been our intention to help find the same ways of living that couples with the power of building businesses, entrepreneurialism and real estate that you know, my clients seem to be totally loving and it's been a joy ever since. Glad to be on your show.

**[0:02:14.8] WS:** Nice. I'd love to hear about how you're advising people while investing in real estate, you know? It seems like a lot of people that are new to investing in real estate, maybe they've invested in mutual funds, stock market, all that and you know, we grew up being comfortable with that thinking, that was like the only way, right? Anything else out of that is just too risky or like that real estate thing over there that you're doing Whitney, I mean, I've probably had somebody say this to me that that seems like something the way – that would be kind of like a secondary thing or something over there after we get this going over here.

You know, I'd love to hear your opinion.

**[0:02:50.9] MW:** It's so interesting. Well, as a certified financial planner, I'm supposed to tow the party line and tell you to put all your money in the stock market and have a nice balanced portfolio. The truth and the honest truth is for the last 30 years according to third party research, this is according to the Dell bar quantitative analysis for investor behavior study.

Over the last 30 years, real investors who are 100% in on the stock portfolio, so 0% to bonds, made only 3.6% over 30 years and that's the safe place to put our money, right? Is it really worth the rollercoasters that we've had over the last 30 years in the market to keep drumming up our 401(k)s, our IRAs, our brokerage accounts, our data trading, people have got no business putting money in places that they have no guarantee it's going to be there when they go to look for it, you know, the average 401(k) balance for someone within 10 years of retirement is less than one times their salary.

It's tremendously scary but it's a reminder that we didn't always used to do this, you know? The 401(k) wasn't created on the 6<sup>th</sup> day of creation, right? We have this like, I guess, feeling that it's what everyone does so it must be the right way. Well, I've seen a pack of Lemmings thinking the same thing and honestly, there is another way and your audience is smart enough, I think they've kind of taken the red pill, realize, there are other ways to build real and lasting wealth that doesn't have anything to do with the rollercoaster.

How do we get there, just briefly, I think it's a combination of things, you know, when you leave your parent's house, you're kind of used to that lifestyle, you know, you're used to the – and there are maybe 45, 55 years old when you leave their household but you're used to the lifestyle that they were able to afford at age 45 to 55, right?

Yet, we're 21 years old, leaving our parent's houses or whatever and trying to keep that equivalent lifestyle, we take on debt, we keep up with the Jones's, we can't save as much according to the Department of Commerce Bureau, US commerce bureau. As of 1940, we saved 30% of our income, Whitney, but in 2015 when I looked at the data last, it was more like 5% and that's not changed much since then. Five percent of our savings for everything.

What little we have left to save, that 5% has to go in riskier and riskier assets i.e. IRAs, 401(k)s, day trading, mutual funds et cetera and it's just a world gone mad which is why I think sometimes, real estate looks like a place of shelter or sanity or something that's real and tangible, rather than fake money and paper profits.

**[0:05:32.5] WS:** Wow, I like that. I just feel like you know, I was taught being young, you know, you're taught okay, save your money then it's invest in the stock market or invest in mutual funds. Real estate was just never exposed to being able to – that wasn't even an option, even a thing. I just wonder like, as your clients come in, how did you help them to really open up their mind to the possibility of real estate or can you?

**[0:05:57.4] MW:** Well, the best way to do it is you know, you can't – you can maybe lead a horse to water as they say but you can't make a drink but I'm convinced, Whitney, that you can salt the feed. One way to do that, one way to salt that feed, to make them thirsty for that water is

to ask good questions, one of the best questions I've come across in conversations with clients is, "Hey Mr. Client, Mrs. Client, what do you want your money to do for you?" Seems like an obvious question but how often do you really sit down and ask those questions?

What sort of characteristics, if you could paint with a magic wand, you know, if you're a pope of money, Whitney, for the day, and you could just create a brand new financial vehicle, what sort of characteristics, what sort of attributes would you want it to have? If you could design the perfect financial vehicle? Folks will often times say, you know, hey, I want a good decent rate of return.

I'd want easy access to the cash, I wouldn't want to get it locked up for decades or years, I want some sort of guarantee that it was going to be there in some sort of predictable protection if I was sued, what's the quote to the statistic that 90% of real estate investors and business owners will be sued over the next 20 years, that's crazy state of statistic but you might or might not have a need of more statistics there, it's not uncommon that your money is going to get attached to by creditors and lawsuit predators too.

What are some other things, you know? Maybe tax free in retirement, you know, just different things that you'd want your money to do for you. Does that spur any ideas or additional –

**[0:07:25.6] WS:** I like that question and just really kind of putting it on them a little bit, saying, hello, you know, Mr. Client, like you said, you know, what do you want your money to do for you and then you can lay out some options and I think when you can explain, okay, over on the mutual fund, this is what's going to happen or over here in this real estate investment, this is what's happening.

**[0:07:44.1] MW:** Sure.

**[0:07:44.2] WS:** You know, it's going to be pretty obvious.

**[0:07:46.5] MW:** Yeah, we've got here in our offices, we have this money matrix that kind of shows literally, there's over 450 financial vehicles out there as you go through your studies, you know, with the CFP, they kind of force you to learn about all of them and you know, we built a

pretty nice spread sheet matrix, whatever to kind of show with about 30 different questions, here's the check marks on all of those different financial strategies and vehicles and then it gets even more crazy Whitney because you can combine them together, right?

Like an IRA and real estate, go together with a self-directed IRA. Now we've got literally millions of ways to put your money to work but most of us, it's sort of like when you walk into a movie, 45 minutes late and you have no clue who the characters are, what the plot is, you know?

Most of us show up to our adulthood with very little, if any awareness of what we're supposed to be doing, you know? Maybe we heard on a radio ad to go put our money in a mutual fund and get 12% a year, right? That that was just supposed to happen like falling off a log. Well, you know, it might be important enough to take a few moments to ask those questions, what do you want, truly want your money to do for you, it's going to change just about everything else about your overall financial life, of course, real estate is a very important component and it does check a lot of the boxes we just talked about.

I believe that if you put things together, different financial vehicles together, it's like nitro and glycerin. If you put the right financial vehicles together, you can create something even more explosive, even better than they would be maybe on their own.

**[0:09:18.6] WS:** I wonder though, you know, when you have, or are there other questions that are top of the list like that that maybe we could use as well?

**[0:09:26.6] MW:** Sure. Do you want this – do you want your money to be for example, you know, taxed on the seed or taxed on the harvest? You know, a lot of folks think that they're getting a great deal when they put their money into a 401(k) which is taxed on the harvest, right? And I'll ask our clients, I'll say, do you believe that taxes will be lower today or in the future? I don't care about what you think about politics or who the president is, just yes or no, will taxes be lower or higher in the future?

And, the next question I usually ask is, do you want to pay those taxes? If you're successful in your efforts to grow your nest egg, don't you think you might pay more taxes in the future than you might today? Even if tax rates don't go up which most people, I don't know if I've ever met

anybody Whitney who thinks taxes will be lower in the future than they are right now? Taxes are on sale right now.

Do you want to pay taxes today or defer them until the future when taxes will be higher? That's another question I'd like to ask folks and it gets people thinking, you know? Because again, a 401(k) is taxed in the future and you know, I don't know what the future holds but I do know that we aren't going back to the days when taxes are as low as they are today any time soon.

**[0:10:41.5] WS:** You know, from your expertise and being a financial adviser, what kind of percentages you know, of investing do you like to see people investing say in mutual funds versus real estate?

**[0:10:51.3] MW:** Well, a lot of your listeners are already dipping the toe in or diving in head-first into syndication deals, real estate in general. And either they are doing it passively or actively, I understand. So, let us just assume for a minute that a lot of folks, a lot of you guys listening like the control and predictability and tangibility of real estate. I mean that is a really cool asset class and I think it is honestly pew-pewed mostly by financial experts in the mainstream financial media. I think it has an important place, I mean it goes clear back to the pyramids.

So something about real estate seems to work for the wealthy and so that should make other people pay attention if you want to grow wealthy do what wealthy people do and you know I'd say as far as allocations go there is two ways to look at it. Diversification is the idea of taking a big fistful of pebbles and throwing it at a glass window let's say. It's going to spread around that window and hopefully one of them breaks through for trying to breakthrough through financial freedom.

And take that fistful of pebbles from all of that window maybe one of them makes that crack through. The other way to think about it is okay, I am going to take the same weight of pebbles as one giant rock, you know solid, focused energy. Throw it right at that window and watch it shatter. Sometimes focus and obsession over a few asset classes that are really well designed to work together do better than a basket full of mutual funds for example in 12 different sectors across multiple industries.

You know, what is diversification? Well, Mark Cuban called it insurance against ignorance, right? Well, if who is Andrew Carnegie who'd be worth like a \$150 billion today if he was alive today, he said, "Don't have your eggs in 12 different baskets. Put them all in one basket and then freaking watch that basket and get to know that basket really well." So he didn't seem to like diversification as much as focus and sometimes if you have a real financial plan that you understand and that you can control you would feel more confident to take necessary risks and avoid what we call the unnecessary risks, which I believe too many people make in their portfolios today.

**[0:13:12.7] WS:** Wow, I like that. I like the focus part too and what most people want to be diversified but they may truly believe in real estate and be diversified across numerous deals or different asset classes or something like that but even that to some extent I feel like I lose focus a little bit or I don't understand different asset classes as well as I do multifamily things like that. So, you know I can relate to the Carnegie method there a little bit.

But I have heard a lot of people say well I want this much in mutual funds and this much over here and this much doing this but I can't keep track of all of that and I can't be an expert in all of those things you know? There is just no way.

**[0:13:48.7] MW:** Even Warren Buffett you know? He doesn't have 300 different stocks. He's got a couple, maybe a dozen, two dozen that he knows and he pours real effort into. You know sometimes I compare it to like a blue heron or a rattlesnake. You know they would be sitting still for a year maybe. Warren Buffett may not make a deal for a year. That rattlesnake might sit so still for an hour, two hours might go by until something really juicy and delicious looks like it is coming across its path.

And all of a sudden in one second he's got dinner. So it is just a matter of learning to be patient and focused and it is a personality thing, Whitney, to be honest with you. Some of your clients need that spread out across multiple different asset classes and diversified across good growth stocks, dividend paying stocks, value investment strategies but, you know, for a lot of our real estate investor clients and friends, they have figured out that all you need are two sides to a really good barbell.

You need safety, predictability and liquid access to money on one side and then you know, important, necessary and understandable risks on the other side and if you put those two together maybe it is 90% cash 10% speculation if that's all you need, right? 90% in something that's guaranteed, predictable, accessible cash without taxes due and over here you've got a couple really good real estate deals that just do great or larks that you see as the next Facebook or whatever your investment is.

Well you can have a lot of fun as long as you know what you are doing and that is the important key to pay attention and I think unfortunately, we have lost our attention on our money and we have told some other money manager to do it for me and those four words do it for me are the four most dangerous words in your financial vocabulary.

**[0:15:34.9] WS:** And that would be what I would be doing if I got too diversified.

**[0:15:38.9] MW:** Yes sir, me too. Nobody's got a corner on truth that is for sure.

**[0:15:43.7] WS:** That's right. I know we just got a few minutes left, Mark, but you had mentioned that you graduated with six figures of debt and then you learned how to build wealth and you know, I know there is people listening right now that are in those shoes. I would love for you to just speak a couple of things to them and we just got a couple of questions before we have to end the interview.

**[0:16:01.2] MW:** Sure, okay so you know yes it was on an emotional level it felt like I had married two women in college, you know my beautiful wife and Sallie Mae and Sallie Mae was requiring a payment every single month that we don't always have and so it did feel sort of like slavery having \$120,000 of student loan debt 10 years ago. So, add to that inflation these days that is even bigger but we had a \$900 a month payment and we were just trying to do the Dave Ramsey thing.

Of throwing all of our money at it doing the snowball method and we got about halfway through and we woke up one day, a mentor of ours kind of upside the head and said, "Hey, you know maybe there is something better than being just debt free" and he caused us to stop and think and he asked us the question, "Mark, is it possible that Dave Ramsey could be wrong about



something?” and to me that was like an athema, it was like heresy like having Dave Ramsey was almost like the 5<sup>th</sup> gospel to me at that point.

So that sort of what got me looking for things that could help me become my own source of financing, actually buy back my debt from Sallie Mae and her cronies and become my own source of financing, literally become my own banker and one by one, we started buying back our student loans and it has been a dream ever since. Since then we have been able to do the same with all of our debts. It has also helped us buy other capital purchases for my business.

We have used it to invest in real estate. We have become the bank that we need for anything we need, right? In good times and bad, we have a big pool of liquid capital, contingency cash for opportunities and emergencies of course but we have used it, our strategy, our banking strategy to go on vacations, to purchase vehicles. It will help our daughter go to college someday if she wants to go to college. If college is even a thing in 15 years but for us that was our pathway out.

Not just to be debt free you know we hear people go on Dave Ramsey’s show and scream, “I am debt free” like it is a big deal but is it really a big deal to fight your way back just to get to the starting line of the race? Isn’t there something more than just being debt free? And so for us that was a journey that we go on with our short time today maybe we have more conversations elsewhere and part two is possibly, Whitney, but yeah, there is a power in learning to think like a banker rather than to think like a borrower and that is exactly what we did.

**[0:18:31.4] WS:** Now I would love to know about that, Mark, and just a couple of questions I know we’re little on time but how do you prepare for this potential downturn that everybody is talking about?

**[0:18:39.1] MW:** Yeah, well all we know is that someday it could come. I was hearing the other day that Australia hasn’t had a recession since 1991. Let that sink in for a minute, right? So, who knows? I wouldn’t have expected it that it would have lasted even this long here in the United States. So, what am I doing? I am piling up a bunch of liquid guaranteed opportunity capital that won’t be contingent or won’t be affected when the markets crash.

You know there is a lot of good in real estate but if you think about it there is some risks too. When are you most likely going to need cash? Well, during a crisis, right? When are banks least likely going to give us that cash? During a crisis and when are we going to sell our properties for the lowest values? Well, same thing during a crisis, right? I mean who was it, Mark Twain, who said, "A banker is a fellow who lend you his umbrella when the sun shines but wants it back as soon as it starts to rain."

So, what we are doing to prepare for the downturn whenever it comes is we're piling up big piles of cash. It is our war chest of liquid money that is going to be a lot of fun sort of like that rattlesnake and again we are just waiting on the sidelines to make that move.

**[0:19:47.3] WS:** And tell us the one thing that's contributed to your success?

**[0:19:50.6] MW:** Oh man, you know it's my awesome team, it is my beautiful wife, it is the people around you. There is no way you can do something like this by yourself so keep up the good work, build a good team and have a lot of fun doing it you know? I used to think being an adult is boring but actually it is like a super fun game that you get to play with people that you love to play with and you get to have all sorts of great conversations and help people and serve people all along the way.

**[0:20:15.4] WS:** Tell the listeners how they can get in touch with you.

**[0:20:17.3] MW:** You know our show is Not Your Average Financial Podcast but if you want to reach out to us directly either me or one of my colleagues, go to [growmorewealth.com](http://growmorewealth.com), [growmorewealth.com](http://growmorewealth.com) has a little snippet about who we are, what we do, how to become your own source of financing and it also have a form there to reach out to us.

[END OF INTERVIEW]

**[0:20:35.8] 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

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[OUTRO]

**[0:21:16.3] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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