

EPISODE 462

[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 M.C. Laubscher.

Thanks for being on the show again, M.C.

[0:00:33.0] MCL: Hey, appreciate you having me on, looking forward and looking forward to syndicating some ideas on the syndication show.

[0:00:38.2] WS: That's awesome. Looking forward to it as well. It was great to connect at a conference we're both speaking at awhile back and see you in person and then have you on the show again. I'm looking forward to gaining from your expertise and knowledge and I know the listeners are as well.

But a little about M.C., in case you don't know him, he's the creator and host of the top-rated business and investing podcast called Cashflow Ninja. Also, the president and chief wealth and investment strategist of Producers Wealth. He grew up in Stellenbosch, South Africa and moved to the United States in 2001. As an entrepreneur and investor, he has experienced firsthand the challenges that producers and creators face globally daily and it has become his mission and purpose to help producers and creators create, protect and multiply wealth outside of Wall Street in any economy.

MC, thank you again. Give us an update on what's happening with you right now and let's dive in.

[0:01:33.7] MCL: Yeah, just a lot of exciting stuff. Cashflow Ninja continues to grow, educational platform and it all started with a podcast, right? We're an online education media company that's reached folks in over 180 countries. Super excited to create some more content and reach more people and serve more people. And with Producers Wealth too, our company is reaching a lot of folks, we're in all 50 states in the United States and we've got strategic partners in Canada so a lot off exciting stuff to start 2020 and you know?

A new decade, a new year so super excited to kick the year off!

[0:02:09.6] WS: That's awesome. It is, I mean, being in a new year or any year, if you're listening to this in July, you know, this still applies to you. I know M.C. has – I'm going to discuss something. It's going to help you to really attack 2020 and think through some strategic planning.

M.C., I know you have some details and some things you've thought through about how to plan and just think through planning for this new year and you know, get us started.

[0:02:33.4] MCL: Yeah, absolutely. What I would say – it's so true what you just said. This is applicable, you can actually review this weekly, you can do 90-day sprints, you could review it monthly, I review mine monthly and then I break it down into chunks weekly. I've got a framework which I'm very excited to share with all of your viewers and your listeners.

This by no means is just a January start plan and map out your attack plan for the year. This is something that regardless of where you are, what the timeframe is, it's something that you can implement and execute. What I've put together after about two decades off studying millionaires, multi-millionaires, billionaires, successful investors, successful wealth creators, business owners is a framework. And also, interviewing over 550 Cashflow Ninjas have helped me kind of crystalize this because I looked at, "Is there a framework they use. Is there a blue print that they use?" Because Tony Robbins tells me, success leaves clues, right?

There's a blueprint. You don't have to recreate the wheel in everything you're that you're doing as you know very well and other guest have said on the show. What do they do? What is a framework that we can use and utilize and craft our own overall strategy, right? I came up with four pillars that all of these guests have put together in their strategy and that identified in a lot of other strategies of very successful folks.

I call this framework, 'the Business of Multiplying Capital.' Because in the end, that's essentially what we're doing. Regardless if we're business owners, regardless if we're real estate investors, if we're getting started, you're multiplying capital to get into the real estate game, you're multiplying intellectual and mental capital. You're multiplying relationship capital. You're trying to multiply financial capital so that you have money to invest in the deals.

The four pillars of the Business of Multiplying Capital and there's going to be a lot of CC's, a lot of the letter C. C alert your listeners and your viewers. But the first one is cash creation. Cash creation is the first pillar and under cash creation is well, basically falls as making money, right? How do we make money, well money is a medium of exchange and a representation of value? We have to deliver value and that's all we're going to generate cash. It's either through our products or our services, our unique ability.

There's so many different capacities and so many deliverable ways in which we deliver value. All of us are unique, all of us are on different paths. All of us enjoy different things, right? Somebody might have a high-income skillset like a surgeon or a lawyer which they do in the capacity of a W2 and that's how they create cash. That's what they enjoy doing, that's their sole purpose, that's their unique ability.

Other folks come up with products and ideas and they're a little bit more creative and then there's a lot of business owners. We have to create cash somehow. That's the first pillar and every one of these Cashflow Ninjas as I call them, creates cash in some way. There's a great quote from rich dad adviser Ken McElroy.

In the real estate game, he talks about business creates the liquidity, real estate creates the wealth. His businesses and he has numerous businesses creates the liquidity that he then uses to invest in real estate to create his wealth. We've got to generate cash somehow.

The next part of it and this is one that's been overlooked by a lot of folks is cash capture. That's where we're 'capturing' the value that we've generated in a positioning it efficiently. What do I mean by that? How do you position capital efficiently in vehicles, that allows you to leverage it to invest in the real estate and also, at the same time, allows you to or the money to do many different functions simultaneously? You know, we've talked on the show before and we use this in our strategy about the Infinite Banking Concept, right?

We utilize over funded whole life insurance contracts with a dividend, well dividend by mutual. Dividend paying whole life insurance contracts with the mutual insurance carriers, right? That's what we use, that's where we put the money because of the guarantees, the tax free growth, the dividends that's paid on it, the death benefit, the disability riders that's on there to protect yourself right, Also, it serves some asset protection in most of the states. That's why we utilize that, I would put self-directed IRA's underneath that as well under cash capture to position capital effectively and efficiently but those are just two examples of cash capture.

Structuring it efficiently because a lot of folks would say, "Well M.C., what do you mean about positioning capital efficiently?" Well, number one, it's protecting it from all of the wealth destroyers that's out there. We could name taxes, we could name inflation, we could name fees and so forth. Protecting it, number one and then also, helping it – how can I say, escape the big cost which is opportunity cost. Opportunity cost is just when your money's doing one thing, you're losing out the opportunity for it to do something else, right?

Collateralization, the strategy of collateralizing something plays into that in combatting opportunity cost. Well, what do I mean by that? Collateralization is when you use one asset to purchase another asset. We park money in insurance contracts, then collateralizes the cash value in the insurance contracts to then invest in real estate. We still have the life insurance, right? Now we have the real estate, we've used one asset to purchase another one.

By the way, you can do this with a lot of different other asset classes, I had a coach, a wealth coach in the early 2000s, they used in the 70s, CD's because it paid double digit returns. They would actually go into a bank and say, "Mr. Banker, can I get a CD?" So, we could get paid like 10%. They would then go to that same bank and say, "Mr. Banker, can I get a loan secured by that CD?" And the banker would give them a loan of let's just say 90% of that CD, they would take the loan, go purchase real estate, take the cash flow from the real estate and pay down the loan and they still had the CD.

That's collateralizing, you could do that with [inaudible 0:08:50]. Business owners know this very well through creative lines for their business and business loans, there's someone in our network that he has a business, he went into the bank, he collateralized his business, receivables, the assets of the business and he received a loan from the bank to buy the building from which his business operates.

He used his business to acquire the real estate. One asset purchasing another one. That's what we mean by efficiency and positioning capital for it to do many different things simultaneously. That's under cash capture.

[0:09:22.4] WS: I want to stop you, just say it again. I wanted to go even back just a little bit even to the cash creation and you know, you had mentioned too just about how you referred to even like capital as even be increasing your knowledge or your skillset and things like that and being able to you know, you referred to it, I can't even remember exactly but you referred to it as like, increasing your capital by increasing your knowledge and your skillset and things like that.

But then when you went in to the positioning efficiently to invest in real estate. It can do many things for you. It reminded me of this conversation I was having with somebody last night and they've never had the money to invest, a low-income earner of a W2. However, guess what, they're fixing to inherit some money, okay? You know, we're talking through this, you know? I'm not telling to invest with me but I'm just like trying to lay some of this out, "Let's think about this."

But their thought process and it's really from a lack of knowledge, a lack of, they've never thought about what to do with capital like this and how and what to do with it efficiently. It's like, "Well, when do I get to enjoy it?" And I'm like, "No, let's think about this. I know that looks like a

lot of money but if you'd just invest in it, like this, you're just going to get this much money every month, you didn't have to do anything," you know?

Let's think about this, long-term, how that money can double and again, triple and just keep going as supposed to if you spend it right now, guess what? It's done, it's gone.

[0:10:40.4] MCL: That's right.

[0:10:42.3] WS: Lack of knowledge, you know, first, that capital, that knowledge, what to do with it but then you know, positioning it efficiently, yeah.

[0:10:48.6] MCL: It's the non-sexy stuff that we're going to talk about that you mentioned that make such a big difference, right? We always talk about there's three ways to purchase things too. You could buy cash for it, right? On asset, then maybe you have the asset and the cash is gone or you could leverage it and get debt on it. Now you have the debt, you still have the asset, you didn't have to use the cash. Or you could collateralize it which combines the best of both worlds if you know what you're doing, again, this requires some strategic thinking because there's so many different ways that you can do it. CD's, life insurance, stocks, asset-based lending, they're searching financial institutions that will give you a loan on a stock portfolio. So, you can get a loan against your stock portfolio to invest in real estate.

Commodity based financing is another one. Gold, silver, art could be used that way. There's actually a crypto company and by no means endorsing it, please, I'm just – conversational, right? We're just having fun in the podcast. But it's interesting to see that there's actually a company that allows you to collateralize Bitcoins and gives you a loan, secured by your Bitcoins. I would say, the reason why I'm sharing this to your listeners too is just to get creative and thinking maybe they have capital already or resources already in their personal or business economy that if positioned correctly, well, now, they do have capital to invest in a cash flowing asset such as real estate.

[0:12:18.5] WS: Okay.

[0:12:19.3] MCL: I love that topic by the way, the collateralization part but those are the first two pillars. Cash creation, cash capture, the third one is cash flow creation. It's investing in cash flow producing assets such as real estate. There's obviously a ton of different niches. Also, other asset classes that folks can invest in. And that's where the art comes in, meaning, what people are passionate about, what they're interested about, what they know about.

Also, that again with the relationship capital comes in. If you know great operators and you know folks that have a track record that know what they're doing within the real estate space. Then the fourth one, and this is by no means the last one, how I usually do is I put the first three on top and the fourth one is at the bottom.

Basically, all throughout the three phases but it's called cash control. Cash control simply means, now protecting. Protecting what you produce and you create. Protecting where you position the capital on the cash capture and protecting the assets that you've invested in through cash flow creation. How do you protect that?

Well, tax strategy is a very big one, here's one of the biggest lessons that I've learned and I wish I learned this sooner but one of the biggest lessons that I learned was, and saw successful folks do and especially in family offices is the amount of time and energy that they spend focusing on taxes. It's quite incredible. They look at the entire big picture, their entire personal and business economy and they make sure that they have a strategy to combat one of the biggest wealth destroyers. Where the –

[0:13:53.1] WS: They're not figuring it out themselves.

[0:13:55.3] MCL: No. They have players that's in this one specific family office that I sat in, that four accountants and CPA's and tax folks just working on this one family and this was just the folks that was in there. I'm sure there's more involved in it. But they were making sure that they could legally and permanently reduce that family's taxes 10, 15, 20% because the one adviser said to me, said, "M.C., just think about it, if we reduce this family's taxes 15 to 20%, there's no return in the marketplace. Over the course of you know, one, five, 10, 15, 20, 25, 30 and then over the next couple of generations, that's going to even get close to that."

And think about then, the capital that they have to put back into their business, to put back into their investments, right? It's a crucial part that a lot of folks overlook because again, it's not sexy, right?

It's under the iceberg, we see the tip but the big part, the scary part of the iceberg, if you're in a boat, is what's underneath the water and if you look at the stuff when it comes to a solid wall strategy, a lot of stuff that you don't see that makes a massive difference. So, tax strategy is one of them. Asset protection is another one of them. Proper estate planning is another one of them. That is all under cash control. It is the things that is not necessarily the greatest conversation pieces at a cocktail party but it is in the big picture and the big scheme of things. If you look at it holistically it makes a massive difference.

Just think about the ability of taxes to destroy wealth. Think of the ability of lawsuits to destroy wealth. Think of the ability of just not proper planning if you are estate planning and how much money is lost and destroyed just from transferring money from one generation to another. It is enormous if you look at some of the statistics.

So that is the four pillars that we look at. We keep it very simple so if you are planning 2020 and if you are planning regardless of where you are in 2020 or even in the next year if you are listening to this, this is just a framework that you can use to say to yourself, "I am pretty good under cash creation. My business is doing well. What can you do to get better there? I am pretty good at cash capture. Do I need to improve there? How is my cash flow creation and growing my relationship capital, my meeting, new operators, folks in that space? And then cash control. Do I have a proper tax strategy? Do I have a proper asset protection strategy and do I have a proper estate planning one?"

[0:16:27.0] WS: I love that you referred to that to relationship capital or I think this is what I think of earlier, knowledge capital I love that and growing that and are we thinking about that, those important types of capital.

[0:16:37.8] MCL: Yeah and think about just from that on those two, which I will put under cash creation, what do you have to study, what do you have to read, what podcasts do you have to listen to, what skillsets do you need to develop, right? What courses do you need to take, how

can you learn certain things? Maybe you need a mentor or a coach to help you with that. And then under relationships too it's, "Who are the folks that you need to be around with? Who do you need to meet, right?"

Can you go and find them in meet up groups, is there events? There is just so many ways that you can grow it because if you grow those two, you know the other things are going to start to fall in place. I think it is when we focus just on the amount of toys that we have and the amount of money we have in our bank account if that's the main focus. It is not necessarily going to move the needle as much as focusing on the knowledge that you are gaining and building up the intellectual capital and then the relationships and the people out there.

[0:17:30.7] WS: And when you are focusing on those things, those material things that you can go get right now, that money is just gone I mean that's what's going to happen. You know instead of focusing on the cash flow creation like you are talking about. So, when you do finally get some wealth whether you inherit it or whether you make a big sale, you know if you are focusing on that new vehicle or whatever it may be, you know everybody has their thing, right?

It's going to be gone. So, if you haven't increased that capital knowledge like you are talking about ahead of time then yeah, you can forget it.

[0:17:56.6] MCL: Yeah and the other thing that I also wanted to say is I know I mentioned taxes and elaborate on that a little bit, if you look at the framework and approached taxes the tax code is basically a series of incentives that if you do certain things, you get to pay less taxes. So, it is almost like a game, right? I believe it is Tom Wheelwright that wrote the book, *Tax-Free Wealth*, that he talks about it too. Like he gets excited about taxes because it actually is a game.

That if you figure out the game and the rules of the game that by doing certain things that the government wants you to do, there is a lot of tax incentives for you or you could pay legally very little in taxes. So, under cash creation for example, you know the Federal Government doesn't want to be in the business of creating products and services. They need to create incentives to drive innovative entrepreneurs towards so that they can then come up with products and services that solve problems, right?

[0:18:52.5] WS: I was just reading some tax or stuff out of the book today and one of the quotes in the very beginning that I really like that will fit right here perfectly says, “In America, there are two tax systems. One for the informed and one of the uninformed, both are legal.”

[0:19:12.0] MCL: That is great! Who is the person that said that?

[0:19:14.8] WS: That was – and it is in the book on *Tax Strategies for the Savvy Real Estate Investor* from Bigger Pockets. So that quote was Judge Billings. It says Judge Billings learned hard so yeah, I really like that.

[0:19:26.6] MCL: I love it, I might use that and I butcher quotes constantly but that’s one that I’ll try to get right because that is very powerful. Yeah, and then the other thing is if you then look at cash creation, they incentivize creators and producers to come up with products and services. Cash capture, you know the life insurance has the tax benefits to it because that is one of the bedrocks of societies, right? We are all pulling resources together that if there is a catastrophic event that hits a family.

By pulling resources together is that family is in a better situation, right? So, by positioning capital there again, utilizing the tax code, we get to benefit from that and then obviously on the cash flow creation, most of your listeners will know that the federal government also doesn’t want to be landlords. So, they need real estate entrepreneurs to provide affordable housing and therefore, as an investor or as an operator, you get to benefit nicely through taxes.

So just by using that framework and doing certain things I mean there is a lot of opportunity by playing the rules properly as you just mentioned in that great quote.

[0:20:38.2] WS: Yeah so M.C. just a few minutes before we run out of time and just a few last questions but in these pillars here, these four pillars, where do you see most people are going to mess it up?

[0:20:47.7] MCL: You know that’s a great question. I think that one of the most neglected pieces is cash control, which is tax strategy, asset protection and estate planning. Yeah, I am just shocked sometimes how folks do not plan for certain events and have those things taken care

of because that is fundamental stuff, right? Is having all of those in place but I think yeah that is one of the areas I think need a lot of improvement.

Again, a lot of folks will focus on the investments and the cash flow and this and the deals and the flips and the wholesales and the sexy stuff. The great cocktail party conversational stuff but it is the non-sexy stuff that is actually the foundation for everything that they are looking to accomplish and it will actually help them, you know just think about taxes, right? You reduce taxes now you have more money to be put into your real estate investments and now you get to snowball that quicker and faster.

[0:21:41.4] WS: Yes, the same individual I was talking about earlier, my media adviser is like, "You need to hire a tax expert, a tax strategist, a well-known CPA, somebody to help you think through this so you know exactly." But their immediate concern is, "Well that is going to cost me a few hundred dollars to do that." I am like, "We are talking hundreds of thousands of dollars here that you're trying to get advice on here, you know? I want you to ask somebody that knows the tax law a lot better than I do."

And I got that book out and so I took a picture part of it and send it to them like I just want you to read this, you know? I said I can't twist your arm but I want you to know these things. But anyway, another question M.C., how are you preparing for this downturn that everyone is talking about?

[0:22:22.8] MCL: Yeah. I am focusing on those pillars because I am going to do the same things now and the same things during the downturn. Yes, there are certain things that are going to change the economy. I cannot control that. That is an uncontrollable variable, right? I cannot control what other people are doing and how they behave. But I can control and focus on the things that I can and that's my ability to produce and create.

My ability to position capital, finding great operators and finding great people on my team and then also my ability to control my tax liability in protecting my assets and then proper planning. So, I am just going to focus on that. It is not sexy stuff as I said before but I think it is the foundational stuff that you need to do and if you do those things, markets go up, down and sideways. If I look at that framework that this is something that will push us through a downturn.

Just one more comment too that you mentioned. You know a lot of folks look at what does a tax guy costs and by the way, I am not a tax adviser. I don't play one on YouTube. I am not a CPA. I just know the importance of it and wanted to provide value for your listeners. I look at it as a return on adviser. There is a right of return but there is also a return on adviser. If you've got a great guy on your team, a tax guy then there is going to be a return on that and a multiple by the way if you've got a really strong player on your team.

[0:23:47.9] WS: No doubt about it. You got to have somebody that knows what he's talking about. It is money well invested to have an experienced adviser especially in the tax world. But M.C., what's a way that we haven't talked about that you've recently improved your business that we can also apply to ours?

[0:24:01.3] MCL: Here is something that I did. It's painful but it has to be done. It is going through and documenting everything, all the systems, all the processes, everything, get it all out on paper and then once you do that, you are going to see that there is a lot of room for improvement and I thought that we had pretty good systems. We have automated a lot. We brought in folks and team players to help us with a lot of stuff. We use a lot of technology.

And even just by going through that exercise, there was still a lot of gaps and a lot of room for improvement. So if you've got a real estate business, if you've got another business that fuels your real estate investments that is something that I would highly recommend because it helps you to put it down on paper, take a step away from your business, look at it and say, "Whoa, okay. I can do a couple of things better here." Very painful but very valuable.

[0:24:52.0] WS: Is there any tech that has helped you to document those processes? I have heard of a couple of things in the past that I know I can't remember the names but there's certain websites that even helped you to lay some of that out. But I just wondered as far as is there any way that's helped you all speed that process up a little bit.

[0:25:06.2] MCL: Yeah. So, I actually just use Google Docs with my assistant. So, we just work it through there. I know we looked at a couple of different software's that you could do that too

but the Google Doc documentation worked really well for us. Kept it very, very simple you know that's one of the things that I like to do is keep things simple.

[0:25:26.2] WS: Yes, no that's good. And so, what about your best advice for caring for investors so they want to come back to the next deal other than obviously doubling their money in 12 months or something crazy, how are you caring for investors so they want to keep coming back to your opportunities?

[0:25:41.4] MCL: Yeah, I think the opportunities that we have to is investments that not only reduce taxes a lot but also produces cash flow and strong cash flow and also, I think accountability is very important and communication. So, folks, once you – they hold you accountable but you are taking accountability and you are keeping them informed of everything that you are doing and you are producing for them because in the end, you could be a nice guy.

Be accountable and send them all of these reports and emails and telling them everything that is going on but if you are not producing the goods that is also a no good right? So, it is going to be very well balanced in that way and relationship too because we are all in the people's business really. That's what it is. It is not necessarily real estate or insurance, it's people. So, I think that is the big part of it. It is caring about people and caring to help people.

I think once you're authentic and you do that people see through other people, you know? And people see through people so if you're authentic, you truly care and you really want to help and you have a strong mission, people they relate to that.

[0:26:44.3] WS: And what's the number one thing that's contributed to your success?

[0:26:47.4] MCL: I would say consistency. I would say never giving up and consistently going after certain things. I make a lot of mistakes. I continue to make a lot of mistakes. It is not perfect. A lot of things are not perfect by any means but we try. Our intentions are always good and we're consistent. We are consistently trying and we keep plugging along as I say, you know we don't give up.

[0:27:10.2] WS: And how do you like to give back?

[0:27:11.8] MCL: I think of the big ways has been time recently too. Can we donate to charities? Yes. But I think when you get to a certain stage, time is the resource, right? And giving some time to folks to mentor, to speak to folks, you know helping folks on their journey I think that's a big way that folks can give back especially if they have had some level of success because sometimes there is some things that are easy. There is only so many hours in a day.

So, I think if we can allocate some time to give and pay it forward and give back, I think that is very, very important.

[0:27:47.8] WS: I like that. You can really show somebody you care about giving of your time. A lot of times more than giving financially. But M.C., I can't thank you enough for your time and sharing your expertise and just walking through the four pillars cash creation, cash capture, cash flow creation and cash control and the importance of each of those and how that can help us just really pound 2020 and make it the best that we can and so thank you for walking through that. Tell the listeners how they can get in touch with you?

[0:28:14.2] MCL: Thank you so much for having me on. They could go to Cashflow Ninja and we actually have a video series where we go more into depth about all of those different steps. It's at yourownbankingsystem.com.

[0:28:27.6] WS: Awesome M.C. that's a wrap. Thank you very much.

[0:28:29.9] MCL: Awesome, I mean it was great.

[END OF INTERVIEW]

[0:28:31.5] 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 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.

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[OUTRO]

[0:29:12.0] 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 for free material and videos to further your success.

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