

**EPISODE 465**

[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 Alex Kholodenko. Thanks for being on the show Alex.

**[0:00:32.9] AK:** Hi everyone, this is Alex Kholodenko.

**[0:00:35.5] WS:** I'm happy to have you on the show and I know this is an interesting topic that we all need to hear and if you're not already investing in real estate or if you are, you need to understand this so you can help convince other people to invest in real estate.

Great conversation ahead but a little about Alex, he has 10 years of experience in real estate investing with single-family homes, tax deeds/ liens, money lending and fix and flips. Also has spent the last 20 years in the high-tech software industry in the bay area. Now, he's focus is on commercial real estate investments because of the simplicity of being a passive investor, scalability, and tax efficiencies.

He also cofounded Wealthy Mind investments to fulfil his lifelong passion for helping people. Alex, thank you very much for your time and I appreciate your focus and helping other people and helping them create wealth. But give the listeners a little more about what your focus is right now and who you are and maybe a little more about where you're located and let's dive in.

**[0:01:30.9] AK:** Thank you, Whitney, for having me on the show. I've been a big fan of listening to so many amazing podcasts and continuous learning. A little bit about myself. Originally, I'm from Ukraine, I've lived in Bay Area, in the Silicon Valley for the last 20 years or so and my background is being in Silicon Valley, you can't ignore of being part of it. I've been working for various startups and large financial institutions and other software companies and just been really focused on my career for a long time. But all this wanted to have a side gig in terms of having a business where I can also take advantage of the tax efficiencies.

Being in a W2 job as you know, there's a lot of pros but there's a lot of cons when it comes to taxation. For the last 10 years or so, I have started real estate, started investing in single-family homes. Tried all kind of different things in between, including fix and flips and tax liens and deeds and really decided to focus on commercial real estate where I've invested over the last few years, I've invested probably in close to over 50 or so syndications and once I started collecting passive income, the lightbulb went on and I continued to acquire more properties and now, my partner and I decided to launch Wealthy Mind Investments and they're super happy and excited to spread our knowledge and help other people along the way.

**[0:02:55.9] WS:** Wow, that's awesome. It's awesome you have that much experience investing in real estate as well and in syndication. Now, you're going to help us think through the pros and cons or why people should consider real estate versus the stock market and bonds and other things like that.

I just think, as an operator, I'm always looking to educate myself on other things outside of real estate because those conversations come up. I'm talking to a potential investor and maybe they don't know much about real estate which I can talk about. But they may be very educated on the stock market and I need to know some stuff about stock market to be able to have that conversation with them.

Anyway, get us started and I know, the Wealthy Mind Investments, you all are helping people create wealth and probably changing their mindset about some of the stuff. But get us started with thinking about real estate versus the stock market or something else.

**[0:03:44.9] AK:** Yes, this is how the idea for the business came is to begin with you know, you have to have sort of a wealthy mind to attract the wealth, right? So that's the idea behind that and you know, being in Silicon Valley, you can't ignore the stock market, there's so many giants around the corner where I live, I can actually see Oracle from the window of my house. I've been investing in the stock market for a very long time and I've been semi-successful.

I know many people experiencing semi-success as well but when I started to look at what ultra-wealthy – uber wealthy people do and I began to notice major differences, especially for people in the very high, over 10-million-dollar net worth.

Primarily, their net worth is tied to either some assets that are income producing assets or equity in the business. They are not very tied down to the stock market as much. In fact, the middle-class wealth is primarily based in the equity and their primary residence.

And once I started to learn a little bit more – By the way, we have in depth report on our website is the 'Guide for Busy Professionals, How to Evaluate Real Estate Syndication Versus Stocks.' I started to notice some major differences, you know, yes, stock market is, it's a very easy entry to buy in, right? Very little money, you can just buy a few stocks, penny stocks. It is very liquid so let's say you know, you decide to liquidate your asset tomorrow, you just sell. Just click on the bottom and it's all right.

Historically, it's been doing well, right? On average, it's about 10%. But when you look at that funds. It's very volatile. We've seen many companies that were Fortune 500 companies and now they're nowhere to be found, at one point, at any given day, you see the market spike as well as downturns, where you could lose 20, 30% or sometimes even more in the single investment.

It is possible to lose your entire investment. When you start comparing them to real estate, one of the best and biggest benefits of real estate is the tax benefits, specifically, the tax cash flow, together with some depreciation and bonus depreciation and cost degradation that you can figure out a way, some investor to receive very tax efficient, almost tax-free cash flow and that's what got me excited about.

On top of that, because of the appreciation and 1031 exchanges, you can defer your capital gains and income pretty much indefinitely if you structure it well, right? One of the biggest pros also is being able to leverage and utilize an amazing leverage system that we have in place, the interest rates historically did very low for a very long time and hopefully, they'll continue to be that way but nobody has a crystal ball. Also, I had in the physical asset versus a paper asset so that's additional pro.

Yes, there's also cons when it comes to syndication specifically. It's a lot high entry point as far as the barrier to invest, right? You cannot invest with a thousand dollars to begin with. It is not liquid so we tell our investors, it's a little bit whole theory and minimum of three to five possibly even longer.

There are some regulations, you know, specific to commercial real estate that they're involved where you have to have a preexisting condition, you have to get credible investors, you have to qualify. And when I meet with people, I tell them hey, I'm not telling you to cash out of the stock market and move your entire portfolio into a single or even multiple syndication, right?

But as part of the overall plan and as far as your entire portfolio, why don't you look at what other people do? Yes, you haven't been exposed to that as an option when it comes to real estate investing on the commercial side. But let's take a look and see whether this makes sense for you.

**[0:07:42.1] WS:** Yes, just a couple of things you mentioned there, I was thinking about owning an actual, physical property as supposed to paper or the stock market, if we have another crash. If you can weather that storm – most people still you know, their values still came back, right? In the stock market, if it's gone, it just vanishes, right?

**[0:08:00.9] AK:** It is possible. I mean, we've seen this fiasco with Enron or MCI and other company where you know, it's a Fortune 500 company and all of a sudden, it was gone and some people entire 401(k) and lifetime savings were invested in that particular stock.

**[0:08:17.4] WS:** 25, 30 years commitment to that company and invested into that stock, expecting they're going to get this big retirement and then all of a sudden, they have nothing.

**[0:08:25.9] AK:** Exactly. They have nothing. And you know, you also need to keep in mind, you know, we've been brainwashed by Wall Street for a very long time. I mean, you can't escape or ignore it, you see on the billboard, driving on the freeway, you know, Prudential, Schwab. You look at the Superbowl or any NFL commercials, there's always some kind of a promotion.

We just talked about it recently with a friend of mine needs some broker's firm have completely dropped the trading fees. You can actually trade stocks now free of charge because I think what's happening is and there is no official numbers for that. A lot of people started to consider alternative investments and real estate as we all know is alternative investment, right? It's part of the whole portfolio, it's good to allocate some of the assets toward the cash flowing tax efficient investments like real estate specifically commercial.

**[0:09:18.8] WS:** The way I was raised, it was you know, you're going to get a good job and then I think kind of like you said, you just assume that that JOB has a retirement set up and that it's going to kind of take care of you. And I wasn't raised around entrepreneurs or real estate investors and so growing up, I would have thought then, I don't know anything about it so I'm going to stick to this thing over here that seems to be what's working or what I know most about.

Until I've eventually took the other side. But you know, I didn't know any better, didn't even – wasn't educated about it but was just raised to think that's just what's safe, that's just what we do.

**[0:09:49.9] AK:** Exactly, I mean, I can totally relate because what everybody else is doing is pretty much the same, what your neighbor or coworker does. And even if you look at your current 401(k) options, you're not going to find real estate there as well and they could have possibly stick at least a REIT fund in there but more often than not, it's 99% mutual funds and stocks.

**[0:10:13.9] WS:** Yeah, Alex, you know, is there anybody that you talked to that's like you tell them, "Don't put everything in real estate or maybe we should look at some stock."

**[0:10:22.5] AK:** Don't get me wrong, I never recommend everything again to take out of the stock market and invest in real estate. I still hold Apple for example as one of the best perform-

ing stocks for me. But as an overall portfolio, I tell people, “Do you have a plan in place? How much asset allocation do you have to begin with?”

Most people kind of sort of on autopilot. They just create an allocation, you know, 80% of the stocks, 20% of the bonds and they never go back and figure out a way, you know, maybe the reason stock market rallies. It’s always good to periodically to reallocate, because when all the crash is coming, we know that the US economy is cyclical, right? I mean, the recession is going to happen.

It’s not a matter of if, it’s just a matter of when. Hopefully we’re a couple of years or even more from that point. But we know that historically, there’s always going to be a downturn after a big run up. We’ve been due for a while and we’ve defied the odds for a long time.

When we have the conversation with my investors, I tell them, upfront, I don’t have a crystal ball but here’s what I’m doing, here is what I recommended you do and then we take the conversation to how we can implement and how we can them when we have something to offer.

**[0:11:39.6] WS:** When speaking to somebody that’s only invested in their company’s 401(k) or stock market and mutual funds, bonds, whatever it may be. What’s the biggest rejection that you get or something that maybe, as a real estate investor, you know, in speaking to investors that we should be prepared for when having that conversation that hasn’t invested in real estate, what are some rejections that you hear?

**[0:11:59.8] AK:** I think the number one rejection that a lot of people don’t even know that it is a possibility, right? So, I am going to have for example a webinar next week on the topic that you can actually rest your retirement funds into real estate including syndication. A lot of people don’t know that and obviously Fidelity, Schwab, they are not going to be able to help with that. So, first of all they are in denial. They don’t even know that it is an option.

The second option is obviously there’s fear involved in terms of is this even possible? When I try to explain to people, “Oh by the way, you could co-invest as little as \$50,000 into a large apartment syndication along with other people that are experienced, that know what they are doing.

You know as many as the experience on the sponsor side that will take care of the rehab work and you can be a totally passive investor.”

A lot of people have a shock in terms of understanding that it is even a possibility for them and after indicating them and after giving them testimonials and stories and my personal track record as an investor myself, people do open up. But it takes time. You know many people will have multiple conversations until they get comfortable and most importantly, educated about that option.

**[0:13:17.6] WS:** Is there any specific thing that you might be able to help somebody to educate them or maybe a specific book that you might give a potential investor or something like that?

**[0:13:26.3] AK:** Yes, so we actually do have a free report for busy professionals that goes in-depth, including charts and some comparison for real estate versus a stock market. So, if you go to our website, [www.wealthymindinvestments.com](http://www.wealthymindinvestments.com), we have that as an option as well.

**[0:13:45.3] WS:** You know I like the quote that you said when we first came on. You talked about have to have a wealthy mind to attract wealth. Could you speak to that a little more just about having a wealthy mind and maybe how you develop your mind towards that?

**[0:13:57.9] AK:** Well, sure. I think it is a never-ending battle because there is so much negativity outside. You just turn on the TV and let's be honest, negativity sells and attracts more publicity and attention, right? But in my personal self-development journey, one of the big turnarounds and the break through that I had personally was when I attended Tony Robbins event, the UPW, back in 2014 or '15 it's been a while and ever since then, my mind shifted and focused on being more grateful.

I wake up with a sense of gratitude every morning. I prime. If anybody is familiar with that morning routine and just being in an abundance and gratitude. And at the end of the day you cannot attract wealth if you do not have the mindset set up correctly right? So, if you are positive, if you are outgoing, if you are upbeat, enthusiastic you know like attract like. So, it starts with a mindset and then ultimately real estate that is what we chose as a vehicle to help other people to create that wealth.

**[0:15:02.9] WS:** I couldn't agree more and I would even go you know a little further into say even I could tell a big difference even changing my nutrition. It changed me or my mindset to the extent of being able to just think clear and it is just being able to remember things better and being able to focus better and be more clear. You know it made a big difference as well. But yeah, definitely morning routine is so important.

You know Alex, what do you tell somebody that's a busy professional right now that is thinking about the syndication business and how should they look at that first investment getting into real estate because they are all nervous. They have been investing in the stock market whatever, okay they're comfortable with that over there. Like you said all their buddies or coworkers are doing that but now they're looking, they're thinking, "Okay. You know I am ready to venture out that first time passively into a deal."

**[0:15:45.4] AK:** Yeah so get educated. I mean there is a lot of free resources including our website. You know you have an amazing podcast. You interviewed so many people. I had a few meet ups, local meet ups talk to real person as well. You know we are happy if you are in the Bay Area to meet up in person as well. Sometimes we go to conferences and travel. I will be in Texas actually next week and just meet with people. And get around likeminded people that are being around the block that they have done some of the deals and that they can show you the track record and they can show you all the pros and cons and what you need to look for.

So just get educated to begin with. We never tell anybody to rush into the deal. There is always other deals that they love. At one point, once you get educated you can't sit on the sidelines either. So, at one point when you get educated and feel confident, you need to actually pull the trigger and start investing. That is how you build track record yourself right?

**[0:16:43.1] WS:** So how do you prepare for the potential downturn that everybody is talking about and even you and I briefly discussed earlier.

**[0:16:50.4] AK:** Yeah, so we are looking for very conservative deals right now. So, what I mean by that is we avoid bridge loans all together. You know whenever I see the deal that has a

bridge loan I am like, "You know what? This is not the right time to do that." So, this is a short-term and a more riskier type of deal.

Second one you know, we look for a cash flow perspective that will have a deal that will hopefully start paying all the cash flow up on the acquisition within a month or two. We don't like the deals that have projections that there is zero cash flow, six months or a year or so. So, we invest for cash flow and we would appreciate as kind of a bonus, right? We also look for experienced operators and syndicators. The people that have 15 to 20 transactions under their belt that can sustain a downturn because when it does happen, I think because you have experience managing many other properties, you could weather that storm and being able to hold until the storm hopefully is over.

So, you will be able to execute on your business plan. So, these are the things that we would primarily focus on, cash flow, experience and conservative underwriting because as you know you can massage any deal and look amazing, right? But being able to have conservative underwriting with experience and having that cash flow sooner rather than later is a big factor for us.

**[0:18:13.5] WS:** What is a way you have recently improved your business that we could apply to ours?

**[0:18: 15.1] AK:** So, what we have done with my business partner, Asish, is recently was started to scale our business in terms of creating automation systems in play. We started to utilize active campaign. So, we are putting together emails, newsletters, webinar that I mentioned, How to Use Retirement Funds to Invest in Real Estate, and will continue to also improve our social media exposure.

So, we are outsourcing someone to deal because obviously someone to work, we are so busy and we still have day jobs. We can't do everything ourselves. So, we are continuing to juggle the multiple balls of being an entrepreneur. That is how the light is and then we continue to make strides and make progress.

**[0:18:58.8] WS:** Awesome. You know Alex, I normally ask especially operators or the way that they care for investors so that they want to return to the next deal. But from your seat, you know you have invested in so many and you are so well-versed in the syndication business. I would love to know something that stood out to you maybe a couple of things that different operators have done. Maybe one specifically something they have done that made you really want to invest in their next deal.

Other than obviously great returns maybe a couple of things that is like, "Okay this operator really stands out. He knows what he is doing and I like this."

**[0:19:29.3] AK:** There is a couple of them that specifically I look for the transparency, right? So, I would like to know even in the deals go bad or maybe underperform for a quarter. I would like to have a consistent updates. That is what I am looking for. I am also looking for somebody that I have a good relationship with. I can email or I can call or ask questions and my questions are being answered. So, the transparency and responsiveness is very important to me.

**[0:19:58.2] WS:** Yeah what would you say is the number one thing that's contributed to your success?

**[0:20:02.2] AK:** It's a mindset. It goes back to the mindset. I mean, again, you can't transpire something without first seeing it in your eyes, right? Seeing in your mind. Bob Proctor is a very famous sell development person, I have many books here, he has a saying that if you can see it in your eyes, you can have it in your hands. If you can picture something and vision that brighter future for yourself, then you will get to it. Obviously, there is a work that needs to be done in order to get what you want, right?

But it all starts with a mindset, with a vision.

**[0:20:36.9] WS:** Yeah, I think that visioning something like that just helps you to change your mind or your mindset and there's so much there in the mind that's so powerful, I can't agree with you more. All right Alex, how do you like to give back?

**[0:20:47.8] AK:** Okay great. That's a good question because I do believe as part of contribution, everybody needs to contribute beyond themselves. So, there's a couple of things that I support to a couple of organization. Number one is cancer research and my partner and I unfortunately lost our fathers due to cancer. So it's part of our dedication to build in this businesses, we donate 10% of our income for each syndication, acquisition that we create. The second one is, I have a good friend of mine, he has a project gratitude where pretty much every Friday, we do go to San Francisco downtown and we provide free meals for homeless people.

**[0:21:31.3] WS:** Wow. Thank you for giving back in that way and I appreciate your time today and tell the listeners how they can get in touch with you?

**[0:21:37.8] AK:** Please go to my website, [www.wealthymindinvestments.com](http://www.wealthymindinvestments.com). You can download your free report specifically for busy professionals that goes in depth on the differences between investing and stocks versus real estate. You can also contact me directly at [alex@wealthymindinvestments.com](mailto:alex@wealthymindinvestments.com). There is an option to schedule one on one call with me as well.

**[0:22:02.2] WS:** Awesome Alex. That's a wrap. Thank you very much.

**[0:22:04.9] AK:** Thank you Whitney, I appreciate having me on the show.

[END OF INTERVIEW]

**[0:22:07.6] 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]

**[0:22:48.4] 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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