EPISODE 475

[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]

[00:00:24] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is a repeat guest. He's been on the show before, show number 307. I encourage you to go back and listen to that, because he's an expert in this topic and today's topic. If you are a syndicator or if you're a passive investor, either one, you need to be listening up. His name is Damion Lupo.

Thanks for being on the show, Damion.

[00:00:49] DL: Hey, man! It's good to be back here. Great to be with you.

[00:00:51] WS: Yeah. Honored to have you back on the show, and let's elaborate and talk about this topic that every listener needs to be at least have their ears perked up today.

But a little about Damion, just in case you missed show 307, he's a best-selling author of 10 books on personal finance, investment, retirement strategies. Damion's mission is to break a million financial shackles. Hosts the Financial Underdogs podcast and developed the ultimate investor retirement tool called the eQRP. His strategy gives individuals total control of their retirement money to invest in real estate, real assets like real estate syndications, and physical gold.

Damion, thank you again for your time. Update us a little bit on what's happening with you, and let's dive in.

[00:01:36] DL: Well, we were watching this legislation that we're going to talk about. We're watching it in 2019, and there are some serious implications for people, things that have changed literally 25 years of planning for estate planning. We were watching that and just working with our clients and doing a lot of strategy. I mean, we spend a lot of time interacting with our clients around their retirement accounts and integrating those into their real estate stuff, and so we spend a lot of time prepping for this, knowing this was likely to pass. Now, we're just making sure people are utilizing it.

There's a lot of people that are having some of their planning from before kind of and I blow up, and so we're helping to fix that and we're going to go into those things. It's nice that we saw something coming, and we could actually prep for, but it has some pretty severe implications and consequences that I think everybody's going to really want to know about. Most people have never heard of this, and even if they have, they don't know the little – The bullet points.

This is going to be really valuable for syndicators, like you said, as well as people that are passive investors in investments and then those people that are thinking about it, because they may have a resource that they didn't know was possible and they can tap into it. I'm excited to show this stuff with everybody.

[00:02:40] WS: Awesome. I'm excited to hear it and also to share with the listeners. Why don't you briefly back up and tell the listeners what a eQRP is, just high level. I would encourage listeners again to go back and listen to show 307 where Damion and IO discussed that before. But give us a little run down on that, and let's dive into these changes that have happened that we need to be aware of.

[00:03:02] DL: Great. First thing, the eQRP is an enhanced qualified retirement plan. It's a unique actual retirement plan that allows people to have checkbook control of their retirement accounts and their money, whether they have employees or no employees. It gives them really great liability protection. It's a unique product and it's unlike anything else. It's not an IRA. It's not a solo 401(k).

Those are really, really important things for people to realize, because a lot of times there's confusion. I mean, imagine that on Google. There's confusion with too much information. We are truly drowning in information and we're starving for reality, starving for wisdom.

The people I think kind of heard of self-directed IRAs. That was sort of the default for a long time. You got to rollover from a 401(k). You left the company. You put your money there or maybe you set up an IRA and you're like, “Okay. I'm going to put five grand a year in there.” You're not going to get rich, but it was something and at least you have a little money going away.

Then this whole idea about solo 401(k)s came up, because you could put a lot more money because the 401(k) section of the code allows you to put like 10 times as much like 50+ thousand a year. This was really cool, but the problem is people didn't realize that there was a liability issue. You could literally build up millions of dollars inside of your retirement account and get sued. A lot of our clients are in California, and they get sued, and the courts are going to basically decide how much of your retirement account you get to keep, because the solo 401(k)s and IRAs aren't necessarily covered the way big 401(k)s were. We solved this problem, that liability problem, with the eQRP.

The other thing too, if you have employees, you're kind of in a tough spot or – One of the changes we're going to talk about is actually a huge shift for people that have employees part-time and full-time. We'll get into that. Basically, this gives you the ability to buy real estate, precious metals, invest in startups, crypto with your retirement money and use that tax shelter in a really, really powerful and controlled way unlike anything else that's out there.

[00:04:52] WS: Is this eQRP for the people who already have a self-directed IRA or is this for a totally different product or for somebody else that want to shelter that retirement in a different way? Who's that specifically for?

[00:05:05] DL: The eQRP is for anybody that's going to invest in real estate that has debt. I mean, that's really the big thing. Or if you want to buy gold or silver and you want to keep control of it. If you're in a self-directed IRA, you're probably looking for something other than a mutual fund. Otherwise, you wouldn't have a self-directed IRA. In that case, there's really no good reason to have an IRA, and I'll tell you why. Because of UBIT tax. This is this really crazy tax, and nobody really knew about it until a few years ago.

Basically, what happens is if you invest using your IRA into a real estate deal, a syndication, it has debt. Let's be honest, all of them have debt. That's why we love them. If it has debt, you’re going to lose about 20 to 35% of your profits because of this tax. It’s because UBIT is triggered by leverage, by debt. When you shift that, when you shift from an IRA to an eQRP, you’re going to a different part of the tax code. Basically, the good news is you're exempt from that tax. This is cool because even if you invested already, you can move the asset over. It’s an IRA killer.

[00:06:05] WS: This can be done after the fact. If they've already invested with their self-directed IRA into a piece of real estate, they can do it after the fact.

[00:06:12] DL: They can do it after they have invested. The danger is a lot of people don't find out about this until their accountant says, “Oh! By the way, this thing is sold. Here’s your tax bill.” We had one client that came in. It was a flip which is basically what happens in syndications. It’s like a five-year flip, and their accountant said, “Oh! You’re about to sell this thing, this property, and your tax bill is going to be like $20,000.” He said, “How is that because it's in an IRA?” The accountant said, “Well, it’s because of UBIT.”

We moved their asset over to the eQRP before they sold. That's the key, before you sell it. If you didn’t notice that your syndication is about to be sold and you having an IRA invested, you got to reach out to us so that we can look at options to avoid the tax. You’re just giving away your money if you keep it in the IRA.

[00:06:52] WS: Wow! Okay. Let’s get into some of the changes that happened as far as January 1st. I know there are some things that can be done retroactively now that maybe has a good lead into from what you were just talking about, so let’s get into it.

[00:07:05] DL: Let me just give you the bad news really quick, because there’s one thing that really changed, and that was inherited IRAs. If you inherit a retirement account, it’s going to be an IRA. It used to be you could have that thing and grow it, spend it the rest of your life. Now, you have to distribute it. You have to spend it within 10 years.

That changed a lot of estate planning that was out there literally for the last 25 years. Now, people are going, “Oh, crap! What happens if you have a couple million dollars and you inherit it and you live in California?” You’re forced to take it as income. Well, that put you in the top tax bracket. This is a huge problem, so everybody’s going to be moving to Texas like they probably already are. But that was a big change. That's how Congress paid for this thing. It was like $15 billion in revenue by doing that, because they know that money will now get taxed down the road. That's the negative.

Now, here's the positive. One, you’re able to start an eQRP all the way until the time you file your taxes for the previous year. Now, here's what that means. If you end up looking at your money like you get your K-1s and you figure out what you made and go, “Oh, man! 2019, I made $200,000. This sucks because I'm going to pay a bunch of taxes.” What we can do is we can set up a plan all the way up to the time you file your return. When we set it up, we’re able to have you contribute up to $56,000, just over 56,000, into the plan which reduces your income by 56,000. If you're under that 157, you get that 20% deduction, because that's part of the Tax Reform Act two years ago.

Basically, if you use this strategy, you could take your income from 200,000 to about 114. That literally reduces your federal taxes by about 20,000 bucks, and you couldn't do that before after December 31st. Too bad. It’s too late. You had to set up a plan for the year by December 31st. Now, we can set it up retroactive to the previous year. This is a huge deal for people, because you had to plan. Now, you don’t have to plan. You just have to know about it and you can kind of plan backwards.

[00:08:56] WS: Okay. Wow! What about costs associated with setting up a plan like this?

[00:09:01] DL: So that they're not $20,000. I’ll tell you that much. Generally, setting up a plan is about $3,000 to get everything set up, and that includes the support, the compliance, the docs, the filings, everything that you need for your complete plan, including the liability protection, state secretary, state – It includes everything.

It's really interesting, because I actually had an accountant come to me one time and say, "I'm not sure if I want to do this." I said, "You literally have a $15,000 tax bill if you don't do this." She said, "Well, let me think about it." I thought, "Wow! I hope I never hire somebody that dumb." It was just either makes sense financially or doesn't. When you're doing real estate syndications, you just don't want to do those with an IRA. Don't let anybody talk you into it, because there's paying no tax and then there's paying tax. Why would you pay tax if you can pay no tax? It doesn't make any sense.

[00:09:48] WS: It's just the difference in using your IRA or having the eQRP?

[00:09:52] DL: That's it. Here's another thing that was the other major one that changed. It used to be that people could have solo 401(k)s, and they'd be fine as long as they just had part-time employees. You only had to cover full-time employees. That changed. Congress said, "We want everybody. Basically, we want to cover more people so that we're not responsible for people when they retire."

It's called the SECURE Act. The legislation said, "If you've a 401(k) and you have part-time employees like 10 hours a week, that's pretty part-time. They also have to be included in your plan." If you have a solo 401(k) and you got some part-time employees, you're going to have to convert that solo into an IRA, which that kind of screws up the entire point of it. Or you just have to shut it down. Or the solution is you convert it to an eQRP, because an eQRP can have employees.

It's set up for employees part-time, full-time. It doesn't matter. It's dynamic. That's why it's so different because of the liability protection and the employees. This really is going to mess up a lot of people that had solos with a bunch of part-time freelancers and employees. They are really going to be stuck unless they listen to this podcast. Then they'll realize, "Wow! I have a good option." That changed. It was a pretty significant change.

[00:10:59] WS: Elaborate on that business owner a little more like who is that exactly. What kind of business or does it matter or that type of employee? Or maybe they just have freelancers and they're thinking, "Oh! Wait a minute. Does that apply to me what he just said?"

[00:11:12] DL: Any business owner, so you have to be a business owner of some type to have any type of 401(k). It's set up as an employer profit sharing plan, and that's what these are. Really, the question is can I qualify to have a W-2 maybe or – If you have a lemonade stand, if you have an eBay store, if you've got something, you're qualified.

Next question is are you qualified to just have it by yourself? Well, that just depends on how you pay people. If you've got part-time people, the IRS would like to qualify. They would like to have more people being employees because of Social Security taxes. That's a really big target.

If you've got anybody that's on payroll that you're paying regularly, they're probably – If it's kind of a by the hour type of thing, in all likelihood they are an employee, and it could be a 1099, and that those people are fine. They're exempt if they're truly a 1099 freelancer. But if you've got an employee like you got a part-time person that works for you for 10 hours a week and they're not their own company, it's a high likelihood that they are an employee.

Now, if you're paying them and their W-2, they're definitely an employee. The bottom line is you're at risk if you've got people working for you over 10 hours a week and you've got a solo, you're in trouble. Everything is solved if you got an eQRP, because it covers everything, so you don't have to worry about that. You don't have to worry about, "Oh, I'm going to hire somebody, because business is good." Maybe you're managing properties. Maybe you're just managing your portfolio and doing things, and you have to hire an assistant. Well, you're going to get into trouble if you don't have the right plan, and this solves that.

[00:12:37] WS: Okay. What are other changes should we be aware of our or are there others?

[00:12:41] DL: A big part of what they were trying to do, this legislation was really written by the insurance companies, and a big push on this was to allow 401(k)s to have more annuities set into them. They allowed companies to group together so that smaller companies that couldn't afford the traditional 401(k)s' fees, which are very expensive, it allowed them to mash themselves together and become groups. But really it was about putting annuities, and annuities are sold by insurance companies. The insurance companies wrote this legislation to allow more of these giant 401(k)s to sell annuities.

That doesn't really impact people that are looking at syndications. It was just the intent behind it. But now, there's some consequences for people and there's a huge opportunity if you made too much money. I mean, literally setting this up could save somebody $20,000 the day they set it up. That's a pretty big deal. I mean, it's a pretty good return; 3,000 for 20,000 one day, a gazillion percent return.

[00:13:34] WS: You don't have to think about that too long, right?

[00:13:36] DL: If you do, you got issues like really truly. That is – If somebody says, "I'll give you two dollars for a dollar," I don't need to think about it. Like, "Let's go."

[00:13:44] WS: Yeah. In this case, it's quite a bit more. But the big thing here is that this is done before they file their taxes.

[00:13:51] DL: Before they file their taxes and including extensions. If you have an extension until October, you can do this all the way till October. You also don't have to fund. You don't have to put the money in. Let's say you're going to put 50,000 bucks into it and that's what you're deciding to contribute. You don't have to actually contribute it until you do your tax return.

For 2019, if you don't even have the 50,000 but you think you're going to have it by September or October, perfect. We set the plan up and then you contributed all the way down the road. It's a very cool, flexible system now. It used to –

[00:14:20] WS: And it can counts for 2019.

[00:14:21] DL: Yeah, it counts for 2019. If you overfunded, you have a loss, great. Just carry it forward. I mean, this really helps a lot of people for some planning and not paying taxes.

[00:14:33] WS: What do we tell our CPA who's never heard of this type of thing?

[00:14:37] DL: There's two things. One, you can say this is under the 401 section, and this is a very specialized section. Even though accountants have all heard of IRAs and 401(k)s, this is a very unique space, and it's very complex. The best thing to do is to have a firm like ours be a part of that team and to give a copy of the QRP book to the accountant and say, “Here’s what we’re doing. We’re doing a specialized type of qualified plan, and this is the firm that's the expert in this space since we want to have you work with them.”

It's not a good idea to say, “Hey! Guess what, accountant? I want you to become an expert in the space.” They’re literally going to tell you to go pound sand.

[00:15:10] WS: I believe that. Or, I mean, they’ve probably never heard some – A lot who have probably never heard of it are going to be a little fearful of it or just not know where to start or not want to dive into that just for maybe one customer or one client that's looking to do that.

[00:15:24] DL: That's pretty typical when you introduce a new idea to somebody, especially a professional. Look, they’re not going to make more money because they're learning about a new thing for just you. What you do is you say, “Hey! I’ve got this thing I'm doing and I want to have the experts jump on a call with you for 5 or 10 minutes and really allow us to leverage our expertise for them.” It makes it easy for them. If you make things easy for your team, the more likely they’d support it. Otherwise, they’re going to say, “I don't know about this. I haven’t heard of this.” That’s unfortunate but it's reality, because there's only so much you could pack in your brain.

[00:15:55] WS: Then they learn something in the process top and they didn't have to become an expert in it. That’s awesome and that you’re willing to get on the phone with them or somebody on your team to make that happen. How long should we expect it’s going to take to set something like this up?

[00:16:08] DL: Well, we have a new client coming. It takes us two days to build everything and turn it around. In certain cases where people say, “Hey! I have an IRA. It’s about the sell like in five days,” we can jam things through and get it done very quickly. We have the ability with our team to get things done really fast. Typically, it's a couple of days, and we’ve seen it done in a matter of like four hours. We’re fast and we get it done. It's not going to be delayed by weeks or months like a traditional type of event where you request something and you wait for somebody to mail it back to you. This is going to happen very quickly.

[00:16:38] WS: What are some things as the operator that we should know? I mean, other than what you've already told us to be able to speak to or about to our investors who say, "I've always invested with IRA," and feel like, "Well, that's what I've always done or this is just the way we've done it," and they also hate to think about having to change something or learn something new?

Okay. Two questions. Best ways for us to educate them about it? But then also just some common things that we need to be prepared to answer for when we tell them about it?

[00:17:07] DL: Well, a couple of things. One, I had a guy that does a lot of teaching in the real estate seminar space, and he found out about this and went to an event. I was teaching before I taught. He told his students, he said, "Look, I didn't know about this, and I apologize." I had the best information possible at the time, and that's what I shared with you. So, I have something new. Let's use the best information.

Really, you're saying, "Look, I found new information and it's better," and people are saying, "Or I could use an IRA," and you say, "Okay, got it. But you're going to have a taxable event when we sell this property."

What I'm seeing unfortunately, Whitney, is that you have some of these syndicators that are just saying, "Well, that's their problem." And I saw one that's doing major business in Texas and he said, "It's not my responsibility. That's them." I thought, "You know better and you're literally screwing your investors."

Here's the problem, if you're a syndicator and you know better and you don't tell them, just wait for the lawsuit. Wait for a class action lawsuit when all these investors come after you and they say, "Why didn't you tell us? You knew this." All we have to do is retitle assets and move them. You really just say, "Look, we want you to be as little or no taxes as possible. So, let's go to no. Let's switch this around." Really, you're giving them another option.

As soon as you give them the option, if they don't do anything, that's definitely on them. But your responsibility is to do everything you can to help them do the best they can. Just like your deal. You want to do a good deal. You don't just ignore your property management. You make sure you have got good property management. Same thing with how they're investing. You know better. Help them do better and you're going to have a great fan club that's going to stick with you for years.

[00:18:41] WS: What are some questions for somebody like yourself so we know that we are – Or using somebody that's qualified to do this for us like you?

[00:18:48] WS: I mean, really, there's different companies that do different things and it's kind of a smorgasbord**.** We're the only ones in the county that set up eQRPs. There are a lot of people that it's a generic thing with an IRA or with, say, a solo 401(k). Those are all the same. There's really no difference from one to the next. It depends. Do you want something that's dynamic that actually has protection? Then there's only one place to go. If you want something – I have no idea, because they're really all the same. It's kind of like if you want a pencil, do you care who makes them? I don't even know who makes pencils. But if I wanted a pencil, I just grab whatever pencil I saw.

If you want a Montblanc, you want it on purpose because of something, I think you really have to decide, "Do I want what is really going to do the best job for me or do I want anything that will just snap because I was too cheap?" That's what a lot of people are doing unfortunately.

[00:19:34] WS: Are there any other changes, anything else we need to be aware of before I ask you a few final questions before we run out of time?

[00:19:39] WS: Those are the big things. I mean, here's the most important thing, that if you're using a self-directed IRA, this is beyond the legislation. It's a good reminder though. If you're using a self-directed IRA for real estate that has any debt, your debt or somebody else's debt, if there's debt involved, you're setting yourself up for a cataclysmic disaster and there's a way to fix it. I think that that's the thing that we need to be really mindful of.

And then just keep in mind that not all products are the same. Unfortunately, there's a lot of information as we talked about earlier. So, it's very confusing. People say, "Well, I read this thing," and I go, "Okay. Did I write it?" They say, "Well, I just read it somewhere on the Internet."

I'm like, "I don't know what the Internet is saying. I mean, have you seen how many kitten pictures are on there?" People are focusing on some really weird stuff.

Bottom line is you want to go to the source and if it can't be cited with tax code – I literally would have had people, attorneys that are setting up solo 401(k)s say, "Don't even worry about UBIT." They were setting IRAs and 401(k)s and they go, "It doesn't even matter. Nobody will ever know." That's their strategy and they're telling their clients this. I'm thinking, "Oh my gosh! This is an attorney for crying out loud."

You really have to do your homework. Don't just think that it's good because somebody's got a website. But, look, I wrote the book on this. I wrote the QRP book, and so go do your research and figure out who's happy. I can tell you, our clients are really, really happy with what we do because we deliver.

[00:21:01] WS: I believe it. Damion, you're also a real estate investor as well, right?

[00:21:05] DL: I am.

[00:21:06] WS: An operator. Yeah. I like asking you, like the hardest part of your real estate investing journey or especially if you're a syndicator, the hardest part in your syndication, just in the syndication process for you.

[00:21:17] DL: Well, I can tell you a recent experience that was pretty intense and I think it's relevant because I shared it. There's a post on LinkedIn I put on and shared it with a lot of our clients. Basically, I spent 18 months working on a project. It was being syndicated, a big development. It was $100 million project, which is a pretty big deal. Bigger than deals I've done in the past. Spent 18 months and about $200,000 on soft costs and just everything that goes on, because it takes money when you're out there doing something, especially development.

The day before my PPM was going to go out, I killed the deal. I had millions of dollars that was ready and they basically just told me offline, "We're ready. When can we wire?" I said, "I can't take money until my PPM is done. This is by the book."

When I realized that the deal wasn't what it should be, and I'll be candid that the team that I had put together, in particular, the developer, super seasoned developer. But what I realized is that my developer was focused on making money for himself. When I realized this during a very late stage conversation, I said, "Wait a second, if something goes wrong," and guess what? In real estate, stuff happens. "If something goes wrong, we're going to have a developer that's not really on the team."

The most important thing for any syndication is to make sure everybody's in alignment that's running the deal. I said, "I'm not willing to risk my investor's money." People had been waiting for months, in some cases six months. I went out to them and I said, "I'm really sorry I decided to kill this deal."

The other thing too is when you when you build a deal, there's a lot of money for the person that puts it together. Between fees and my carried interest, my profit, this thing probably would've made me about $5 million over five years. And it was an automatic response to kill the deal because I felt like my investors were at risk. I can tell you, it's the only choice to make. Unfortunately, a lot of people don't want to do that. They go, "Oh! I want to make the money," but you got to protect investors. That is the number one. You can't not do that.

[00:23:16] WS: If you're in this business long term, it's a must. I mean, those relationships are crucial.

[00:23:21] DL: You won't be in the business long term if you don't that, because people will realize, "Well, you're just in this for your own payday." That was a big, big thing and people said, "Did that bum you out?" I said, "I wasn't even emotional about it, because I have values around raising money about doing deals, and the investor is number one." Period. I'm way behind that. If the investors aren't taken care of, then there's really nothing to talk about. In this, I wasn't confident of that. So, I ate the 200 grand and we moved on.

Sometimes you have to be willing to do that. In fact, Buffett says this. I mean, he's got $120 billion in cash. There's a lot of deals coming out and he says, "No. No. No." You got to be willing to say no a lot more than you say yes, and even after you spent money – That was real money.

That’s real 200,000 bucks. I said, “No.” I think that that's a really big lesson for people that saying no is more important than saying yes.

[00:24:15] DL: For sure. I applaud you for that, because yeah, the investors are most important piece of this whole puzzle. It’s important that they’re taken care of. So, great advice. What's away or how are you prepared for this potential downturn that everyone's talking about?

[00:24:28] DL: I'm saying no all the time.

[00:24:30] WS: There you go.

[00:24:32] DL: There are deals out there. I think a lot of people are trading between deals and they're excited. I believe in fees. I think that that's important for people putting deals together. Unfortunately, I see a lot of people that are doing things where they’re making fees, and then I think the investors are going to get stuck. Preparing for it, I'm just looking at things with – I am very, very intense around how I judge deals, and I look at the math, and I look at the team.

One of my rules, and this was after losing a couple million dollars in a deal about 13 years ago. I didn't have a team member that had money in the deal on site. It was an apartment in Memphis and everybody, the team, we were all over the place except for in Memphis. It was like kids in a candy shop. The property managers and the contractors were out there just sending me bills for hundred grand a week.

At the end of the thing, we lost all the money. I lost about $2 million out of pocket and I thought, “Huh! Okay, what’s the lesson here?” The lesson is you want to have people that have skin in the game on site that are babysitting these things when we have these type of projects that are value-add, because they can get out of control so fast. People go, “Oh! Well, I’ve got a property manager that's going to be there.” I say, “Nope. It’s not enough. Sorry.” I know people aren’t going to want to hear that. They’re going to say, “Well, I don’t know who to send there.” It's a dangerous game to play when you're not on site because things can happen very quickly and you won't know.

[00:25:48] WS: Great advice. What's a way you've recently improved your business that we could apply to ours?

[00:25:54] DL: I'm using more and more people. Instead of just like – When you need help, for example, hiring somebody, it's not enough just to say, "Okay. I hope somebody bumps into me at Starbucks and I can hire them." I'm reaching out to people that that's what they do, recruiters, for example.

Doing that more and more, using people, like leveraging people's talents and not trying to do too many things. The problem if you have half a brain and you're relatively smart, you do too many things. The better choice is to say – Kiyosaki, Robert Kiyosaki says this. He goes, "I'm dumb. I don't know how to do anything. So, people don't ask me to do anything," and I kind of laugh. He's not dumb. But he says that a lot and I laughed. He's not dumb. "Yeah, why am I telling people I know how to do anything." I really think finding other people that specialize and not trying to be the accountant, the attorney, the office person. We try to do too many things, and that will just end up with us being really tired.

Finding the right people and then being willing to pay them the right amount. I see a lot of people trying to save nickels and dimes and they're missing the dollars. If you have the right people around you, people think that people are an expense. Team members and advisors are an asset. They're the greatest investment you'll ever make. I think that we need to really get that, but unfortunately people are trying to figure how to save their way to wealth and all they're going to do is end up broke.

[00:27:07] WS: I couldn't agree more. I took my five-year-old in a meeting with my CPA just yesterday. Even telling just how important this person is and who they are and trying to explain where he can understand what they do for us, but really calling them a team member. So, he can understand a team in playing ball or whatever, they're a team member. I couldn't agree more, and it's worth every penny to have them on the team.

What's a way that you stand out in your relationship with your investors? A way that you stand out amongst other operators?

[00:27:40] DL: One of the big advantages I have is I've been through cycles. One of my friends, Tom Burns, and I we're talking about this. We've been through stuff. He's a big syndicator at the Austin area. Raised about $400 million. Most people that we talk with either they haven't gone through cycles or they don't have anybody on the team that's bald or gray and I go, "Well, how do you all know what it's like when something whacks you across the face?"

The difference is I can see that stuff and there's an emotional intelligence around having gone through stuff. In 2008 when I lost $20 million and basically went negative 5 million, that's an experience I don't want to repeat. I went to the process so I can see some of that stuff coming, and that's one of the reasons I was able to say no before got the investors involved.

I think that – In fact I know that it's a critical piece to have people that have been around for multiple cycles to be a part of the team. Otherwise, they don't have any idea what's coming. It could be right in front of them, but they've never seen it before and they've never felt it. You can study the books all you want, [inaudible 00:28:37], but until you've actually been through the Great Depression, you don't actually know what it is.

[00:28:42] WS: I would say too, experiencing that in 2008 is a reason why you're okay or so okay with not being emotional about losing 200,000, because you can see what it could mean down the road.

[00:28:54] DL: The way I looked at it really was that this 200,000, it's just an operating expense when you're not doing stuff. People think too short-term. I look at that and I go, "Okay, that was part of this. If I'll do another one, maybe it'll work, maybe it won't, or maybe I'll go forward." It's all part of the process. Every time you do a deal – In the Memphis deal where I lost the 2 million. My biggest problem is as soon as my earnest money that I put in was about to go hard, I got like, "Oh! Do I want to do this?" It went hard and I got stupid, because all of a sudden I was $40,000 in with the sunk cost. Meaning I couldn't get the $40,000 back, and I chased that 40,000 with another couple million because I wasn't willing to walk away.

I think I actually learned the lesson, and it's not just the money. I could spend 200, get into a deal, but once you're in a deal, especially if you're running a deal, you're talking about years of your life. If you go in with the wrong people, you're married and you may be married for the next

5 or 10 years to somebody that makes you want to vomit or you end up in lawsuits. It is not worth it. It doesn't matter how much money it is. It's your life.

[00:29:53] WS: 5 or 10 years can add some gray hair. That's for sure.

[00:29:56] DL: Or take it all away. Let me tell you, it goes away.

[00:29:59] WS: I've got the gray and you don't have any, so it's funny. What's the number one thing that's contributed to your success?

[00:30:05] DL: The willingness to go out there and stump my toes and make mistakes. There's no doubt. We're taught from a very young age, your five-year-olds probably taught this in school. Imagine you're countering this with better information and wisdom, that you don't grow unless you make mistakes. It's not just because – You can learn all the stuff in a book, but you can't learn it at a cellular level until you go out and do it, and then you get this emotional intelligence that allows you to go faster.

It's kind like martial arts. You go through the process of getting smashed in the face and falling down and bleeding everything else and eventually you just move naturally through this process. You're not actually thinking about it. Making those mistakes allows you to have that innate intelligence that will make you faster and it will help you respond without thinking about things. It'll just be obvious.

I think the mistake factor is what people are afraid of and it is the ultimate weapon for success. Going out there and making mistakes. Nothing is going to eat you, I promise, unless you're in Africa or like when I was in Alaska growing up, like eaten by a bear. If you're not there, you're going to be fine. In fact, you're not going to be fine, you're going to be great, because you're going to get stronger and you're going to have wisdom.

[00:31:10] WS: Right. Wow! Tell us how you like to give back.

[00:31:12] DL: I give back by giving people that wisdom, by giving them the truth. I don't think most people are really comfortable. A lot of times, we don't really know what the truth is because we haven't been through stuff. I think there's a value in being candid. Jack Welch said this maybe 10 or 15 years ago. He said, "The missing piece in business right now is candor and being candid. Asking people what the reality is around their numbers," because we spend all this time, I hear people saying money doesn't matter. I'm like, "Really? Why do you spend 40 years for it? What are you doing?" We're just not honest about it.

The way I give back is asking really good questions and digging down to the truth, because we've heard this before, right? The truth will set you free. But what the heck is the truth? Nobody's asking for the truth. They just want to feel good, and that's a huge gift for anybody to know the truth. Oftentimes, nobody's asking for it. That's what I do. I spend a lot of time asking for the truth and we make progress because of it.

[00:32:03] WS: Nice. Well, Damin, unfortunately, we are out of time, but I'm grateful for your time today and sharing with us and these changes that we need to know as operators, or whether we're operator or whether we are investing passively. We need to understand these changes and I'm grateful for your time and an expertise and also sharing just from your expertise as an operator as well. That's incredible that you have that experience, but then you can also help us with our qualified retirement plan as well. But tell the listener how they can get in touch with you and learn more about you.

[00:32:32] DL: Best way to learn about me, especially if you're interested in the QRP stuff, and you'll find your way to me, is to text the word QRP to 72000 and I'll give you a copy of the report. There's ways to get a hold of me on there as well. You really want to know about this. Even if it's not for you, there's somebody you know that's actually going to need this stuff unless everybody in your life hates their money, which I'm sure that's not true. If you text the word QRP to 72000 and let me know how – I mean, basically just send that and I'm going to send you the report instantly. That's the best way to get started.

[END OF INTERVIEW]

[00:33:01] 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]

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