EPISODE 740

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily real estate syndication show. I'm your host Whitney Sewell. Today, our guest is John Stoj. Thanks for being on the show John.

[0:00:31.9] JS: Thanks for inviting me Whitney, I'm really looking forward to sharing with your listeners.

[0:00:37.0] WS: After years of climbing the Wall Street corporate ladder, financial advisor, John Stoj became disillusioned with false promises of outperforming the market. He eventually tarted a sushi delivery company only to return to his first love, financial planning. But this time, things are different. With Verbatim Financial, John's gone rogue with his pricing model and is applying his decades of experience and personal touch to help clients simplify their financial lives.

John, thank you again for your time, we're all looking to simplify our lives, in general but especially on the financial side, right? A lot of that's education and that's what we're hoping to provide to the listeners today and with your help. John, welcome to the show, give the listeners a little more about your background, what you do now and then we're going to jump in to when you advise people to maybe ad real estate through portfolio or not and just how you do that?

[0:01:33.2] JS: Yeah, well, thanks again Whitney for having me on, this just great. Just a little bit about me and I won't get too much into the weeds but I spent a couple of decades on Wall

Street and I worked on trading and investment banking and finally managed portfolios for SunTrust Bank here in Atlanta and ING. Managed portfolios of institutional money and retirement money for folks and then my last job in that official finance capacity, what I call the corporate world was as a CDO manager. What I did was put together and eventually managed those types of investments that basically blew up the world 10 years ago and they were so complex.

I lived in a world of complexity and finance and I thought that was great until it wasn't, until we all realized, I think, it wasn't. You mentioned in that nice intro that I ran a sushi business for a while. I got so fed up with finance and how it had, in my opinion, failed. That I just wanted to do something completely different and so I opened up a food business and I ran that for about five years and then sold it when my wife and I had our son. I was a stay at home dad for several years, and then, you're ready to get back into the workforce and I wanted to do something where I could basically take my knowledge base and help other people ideally not waste money on financial products and keep more money in their own pockets versus giving it to the Wall Street banks.

[0:03:05.1] WS: Nice, well John, grateful for that. Just background really, and how you just got fed up with it and left it and came back as well. Now you're helping many others to gain that, that are simplifying their financial lives. Could you elaborate on that right there just a little bit on how you're helping people just simplify their financial lives and what that typically looks like for your clients and the mess that it may be.

[0:03:30.0] JS: Yeah, it can easily be a mess, even if you thought that you were doing all the right things from when you first got your first job, say you were lucky enough to get a job with the head of 401(k) and the company matched and then you left that job and you moved to another company and you did the same thing. And each time, you know, you get on to your – your HR sends you an email and you say it says, "Choose the funds that you want to put your 401(k) into." And you do that and then you bounce around and suddenly, you know, you double digit years into your career and you find you've got a bunch of different –

Maybe you could have three, four, separate 401(k)s left over at different companies, you don't know the funds that you chose in 1999 might not be the right funds for your life in 2020. Things like that happen to everyone and we're all busy, we've got families, if we don't have families, we just have to worry about our careers, maybe we're worried about our own parents that we're taking care of now as we get a little bit older.

All of these things lead to a lot of inadvertent disarray in people's financial lives and so what I find is that, people that come to me, they kind of gotten to the point where they know they should be doing something but they don't know what to do, maybe they spoke to a financial advisor who turned out to be an insurance salesman and when they got their prescription, for how I could turn their financial lives around, it was a whole life policy that they wanted them to buy and so that turned them off again and now they're like, well, forget it, I'm not even going to do anything about it. They want to ignore the whole thing.

If I'm doing my job correctly, I'm taking that kind of stress off of folks and saying listen, let's just put this, lay it all out and like you said, let's simplify it, let's try to move things into one place, let's try to cut down on the number of funds you own, let's make sure we're not paying too many fees to fund managers, things like that. It's a great process, I enjoy it but the funny thing is that one of my friends just messaged me this morning. He said to me, he's like, "Financial advisors are really just psychologists, aren't they?" I said, "Well, maybe the good ones might be part psychologist." Because of that's one of the big things that we do if we're working with our clients the right way is to just try to get them to sort of understand that it's okay, let's just move forward.

[0:06:03.1] WS: Nice, well, you know, right now John, what's the number of clients or percentage would you say that have real estate in their portfolio?

[0:06:12.0] JS: Well, I would say, when people come to me, it's a pretty low percentage and I think lower than it should be because real estate, in some form or another, in my opinion is a good component to have in your overall investment portfolio because it's just another way to diversify. And obviously, what we're looking to do in an ideal world, we want to make sure that we have exposure to different asset classes. Such that, if one class has a hiccup, maybe it's not as bad or the same type of hiccup in another asset class. Real estate is often a good balance to have along with equities and fixed income, things like that.

[0:06:52.2] WS: Okay, yeah. No doubt. I mean, I know the listeners are here because they believe in real estate in their portfolio. Is there a percentage there that you say for most people, I know everyone's situation is different but, you know, real estate versus being invested in the stock market or other asset classes outside of real estate?

[0:07:09.8] JS: Yeah, I'm a big fan of the simplicity. In an ideal world, you'd have maybe four asset classes that you'd be exposed to, maybe fewer than four, real estate would be one of them so depending upon where you are in your life and the type of risks that you're willing or able to take on. Equities, stocks are probably the highest percentage, somewhere over 50%. Then you've got fixed income bonds and then real estate and then maybe other hard assets you could potentially even want something like gold or something like that.

But real estate is going to vary from single digit percent's in a conservative portfolio that's going to have more bonds, fixed income assets to you know, you can get into the double-digit teens of your overall investment portfolio and so, maybe that doesn't sound like lot to your listeners who are, I'm guessing really into real estate and that's great and that's great. But the amazing thing is that there's so many people who don't want any exposure to real estate investments say outside of their primary residence. For me as an advisor, often, the most difficult thing for me to do is to convince them that you need to add some.

[0:08:26.1] WS: When is that? When is real estate the answer for your client? You know, I know obviously maybe if they don't have any but – or maybe there's some examples of a couple of clients that you can give that say you know, this is what their portfolio was like and why you advise them to say, you know, consider some real estate.

[0:08:42.3] JS: Yeah, okay. This is not just one client, I might need both my hands worth of fingers to tell you the number of clients that when I started working with them, they come to me and they might be 100% equities, just because of that's all they knew to do, again, in the past, maybe they were allocating their funds in their 401(k) or they opened up a brokerage account at some point in their life, because somebody told them they should and they started buying Apple or whatever that they wanted to buy.

And then, suddenly, they're like, "Well, all I have is stocks." My job as an advisor and planner, a lot of it is — I think I use this word a few minutes ago but a lot of it is often housekeeping. Knowing or trying to figure out what they can sell so they can allocate away from fully 100% equities and into real estate. And again, it could be real estate through REITs, ETFs. Or, it could be into maybe they want hard assets, maybe they want a vacation home, something like that and I often have to point out the vacation home or a rental property or anything like that, that has to be treated as an investment and brought into your whole portfolio that includes your investments within say, institutions such as your Fidelitys or your TD Ameritrades or whatever.

[0:10:08.5] WS: Okay, all right. Well yeah, I mean, having real estate portfolio obviously the listeners and I would agree, we all need some real estate in our portfolio. But is there a type of client where you say, no, we probably don't need any real estate or any more real estate, when would that be advisable?

[0:10:25.5] JS: Sure, that's a good question. I think the times that you might say that you don't need to add real estate on a securities basis, in terms of like, your REITs or whatever. That would be someone who is maybe a real estate investor or someone who is deep into syndication markets, things like that. In that case, you might not want to double down on your real estate risk you might want to have your investment portfolio outside of the properties and syndication deals that you might be working on.

You might want to have all of your other investments in equities or fixed income as opposed to any real estate versus again, the folks that might come to me with no real estate exposure. One of the things hat you want to try to avoid is being exposed to only one asset class. Again, if that experience is an issue, a hiccup, then you're probably not in as good a shape as you might be if you had some of that diversification.

[0:11:21.5] WS: So what's the type of real estate and potential returns that you look for, for a client?

[0:11:27.1] JS: So that is always a great question and returns are something that everybody wants – they want a number on and so I appreciate the question because it is when I get a lot but what I want to do for my clients is look at – I am going to look at historical returns in that asset class and all I'm going to try to do is make sure that we are investing in something that will get them, that will allow them to capture as much of the returns that that asset class historically provides.

So just making up a number, this isn't the actual return but if real estate typically provided a return of 5% per year, throwing out the tax benefits or issues there, then you don't want to invest in something that is only going to give you three. You want to try to capture as much of that 5% as possible. And so again, it's through paying as little money out in fees as you can, working with somebody. If you are working with a syndicator, property management all that kind of stuff so that you are not giving away the returns that you should be capturing.

[0:12:39.3] WS: I know something that you help people with a lot is reducing those fees, right? And understanding maybe where they might be paying fees and they may not realize it, right? Maybe you could highlight that a little bit and I am sure there is listeners right now who are paying fees that maybe don't know about or either they don't have to pay.

[0:12:57.0] JS: Yeah that is one of the things that brought me into the business of the way I run Verbatim Financial and my firm. So I am a flat fee advisor. People pay me an annual fee to work with them and it is a set flat fee. They know exactly what they're paying me every year, it doesn't changed based upon whether their investments went up in value or whether they inherited a million dollars from an uncle they didn't know they had, that is a key of what I do.

So a lot of people don't even know if they have investment advisors, a lot of people have no idea how much they are actually paying every year to that advisor because it is a percentage of their assets. Sometimes it is stepped or stepped down. It is disclosed but it is only sent in their statements quarterly and who digs the last page to find out how much they paid their advisor. So that's one thing that I will always help people to look through.

And whether they work with me or not, a lot of times it is good for them to talk to their own advisor and say, "Okay, well I see now what you're charging me. What am I getting for this?" Another thing is that people don't realize that there are so many ETFs and index funds available nowadays that you can get exposure to these different asset classes with very low annual fees. It is just something where you could go through a portfolio again especially if somebody has legacy funds in their 401(k)s from a decade plus ago, when it was a lot more prevalent funds to charge pretty high fees.

[0:14:25.1] WS: So John, what is a way that you help people prepare for a downturn?

[0:14:30.4] JS: So one of the things that I do for everybody is we put together a comprehensive financial plan for them and I think, to me, that is the most important thing you can have is a plan and that plan is going to have emergency funds in it, liquidity, things that you want to be able to withstand certain downturns. We can look through the types of risks that you could anticipate within your portfolio and then also within your life outside of your investment portfolio.

I was asked more recently what am I afraid of as an advisor and the answer I gave was that outside of something bad happening to my family, you know sickness or whatever, accident, the only thing that really frightens me is not having a plan for something in the future, right? The pandemic that we're living through right now, COVID, is a good example. Of course, none of us we didn't know that COVID-19 was going to come that the economy was going to shut down for a quarter and then we're going to have a big problem moving forward, etc., etc.

But what we could have said if we are setting up a plan is that what if something happens so that your income is curtailed for three months, six months, how do you cover your expenses etc., etc. and so the people that had their plans in place that had contingency funds, some people call them emergency funds, whatever, those people if they were put out of work or their income through properties or whatever was again curtailed, they would sleep a lot better at night than folks who were just sort of bouncing along as if nothing was ever going to go wrong.

[0:16:14.7] WS: So John, you know I feel like any successful business or business person they have a high level of self-discipline. I love asking what's been something or a way that you have improved self-discipline or maybe habits that you have on a daily basis that have either or helped you to reach just the level of success that you have.

[0:16:35.0] JS: Having good habits in place and I follow probably a bad habit with a good habit every morning. I get up with my wife, we get up very early. She is a physician so she's in the hospital by 6AM so our alarm goes up at 4:40 every morning and I make coffee for us and we sit down and we have a couple of cups of coffee before she goes to work and then that is the bad part because I mean I keep wanting to give up caffeine but I love coffee too much. It is not going to happen but –

[0:17:02.5] WS: I would say that time with your wife though is very valuable.

[0:17:05.2] JS: It is super valuable. You're exactly right about that and I treasure it and the days where sometimes it doesn't happen for one reason or the other, my whole day is thrown off. After she leaves I will take a few minutes and I don't want to call it meditate. That would be too formal of a word to use but I will think pretty hard about what I want my day to look like and you know over the course of the day, I think about how am I doing what I thought I was going to do in the morning. And to have that plan each day just a little plan helps me so much and I think that again, if sounds like I am overdoing the word plan I use it in a lot of parts of my life.

[0:17:43.3] WS: What's that saying, if you fail to plan, you plan to fail?

[0:17:46.3] JS: Yeah.

[0:17:47.6] WS: So what's a way that you have recently improved your business that we could apply to ours?

[0:17:52.3] JS: I think the best way that I have improved my business is talking to folks like you on your podcast because I find that the more people I talk to about my business who aren't necessarily clients and who I'm not trying to get as clients, it helps me so much in my own business to educate other folks without any sort of concern as to whether I am trying to do a "sales call" to somebody.

It is sort of tightened up my message and then it allows me then when I talk to my clients, it allows me to understand better what their concerns are and I try to be a good advisor and I am trying to improve every day. But you know relationships are an ongoing and evolving thing and so if I can get better at my communication with my clients that's always going to be a better thing for my business.

[0:18:42.8] WS: What's your best source for meeting new investors?

[0:18:45.4] JS: You know, this sounds so over done but it really is word of mouth. I have been in finance for so long that I have a lot of people who know me from my previous lives in finance. And also I have people that know me from my life as a food business owner. And so often it is like, "Wow, I didn't realize that you had gotten back into business and finance." "You're managing? You know I could work with you?"

These are things that I don't do outbound calls, I don't do marketing mailers or things like that. It is just a matter of I think putting out the right information to folks, giving out education for "free" is the best way to get actual business, because the people realize that they can benefit from working with you even just by listening to you like you were doing with your podcast and your clients. It is just a big positive.

[0:19:40.2] WS: What's the number one thing that's contributed to your success?

[0:19:42.8] JS: That would have to be whatever it was that my parents did when they raised me because they raised me with just a desire to put out into the world what I want to get back and so if I put out good thoughts then they tend to come back to me. And not worry too much about anything outside of that.

[0:20:01.1] WS: How do you like to give back?

[0:20:02.3] JS: I like to give back in a couple of ways, one just by sharing knowledge and trying to keep people again from wasting money because over the course of time it really adds up. The other way is I try to work with folks in the food business because a lot of times they're low income, they get taken advantage of, if I can help out people that I used to work with and people who are in that business, that is what I like to do and it is really gratifying for me.

[0:20:30.8] WS: John, grateful for your time today. It is a pleasure to meet you and get to know you a little better and then just grateful for just sharing with us, just how you advice clients and when they should real estate and how you look at that when you are developing that plan for someone, helping them really think deeper about their plan and even through a downturn or recession and having a plan for that when it happens and even reducing fees and how you handle that.

So tell the listeners how they can get in touch with you and learn more about you?

[0:21:02.4] JS: Whitney, thank you for that summary. Best way is just go to verbatimfinancial.com, you can read a little bit more about how I do business, I blog on there but there is also a contact me button where people can reach out if they'd ever like to chat.

[0:21:15.3] WS: Awesome, that's a wrap, John. Thank you so much.

[0:21:18.7] JS: Thanks Whitney, this is great. I appreciate it.

[END OF INTERVIEW]

[0:21:21.0] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

Subscribe too so you can get the latest episodes. Lastly, I want to keep you updated so head over to LifeBridgeCapital.com and sign up for the newsletter. If you are interested in partnering with me, sign up on the contact us page so you can talk to me directly. Have a blessed day and I will talk to you tomorrow.

[OUTRO]

[0:22:02.0] 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.

[END]