EPISODE 764

[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]

[0:00:22.8] WS: This is your daily Real Estate Syndication Show. I am your host, Whitney Sewell. Today our guest is Chris Mills. Thanks for being on the show Chris.

[0:00:32.5] CM: Great to be here Whitney, thank you.

[0:00:34.4] WS: Passion is an understatement when it comes to Christopher Mills and his desire to help families and family-owned businesses plan and execute their financial goals. Chris has over 15 years of real estate experience as an investor and has experience as a loan originator, property manager, and an agent. Currently, he does retirement planning for real estate investors and specializes in alternative investments.

Chris, welcome to the show. It’s such a great topic. I like talking to specialists like yourself and that you are an investor and that you help investors specifically about retirement planning. So, welcome to the show. Why don’t you give us all more about yourself and your real estate background and your focus right now in how you can help the listener.

[0:01:20.3] CM: Sure. I've been investing for a while. My main focus has always been buy-and-hold. I've done a couple flips and things of that nature, but my meat and potatoes has always been buy-and-hold, single-family, and multi-family.

I started a property management company once my portfolio got to the size where it made sense to do that. And then that property management company, I kind of expanded and just allowed other folks to use my services. And they liked how I worked and liked what I did, so they were kind of asking, "Hey, can you manage my out-of-state properties?" I'm in the DC area, so my main experience was DC, Maryland, and Virginia.

Around that time, it was a lot easier to make money when the market is at a certain level, then I had to go out of state and we all went out of state. And we all went out of state. And so, my property management company kind of became an asset management company, essentially managing property managers and stuff around the country. I kind of tried to retire or slow down at one point, move out of the city, move out to the country and still living out here, still love it, but I've picked things back up again.

Now, instead of helping from a wholesaling and logistics type support, I got licensed in financial services. One thing led to another through relationships and joined up with a friend's family firm, a longtime friend and we just kind of joined forces after I got licensed. And now I help investors plan their retirement, execute their retirement, supplement their holdings with either their liquidity needs or passive investments, things of that nature. So, I'm just trying to be as helpful as I possibly can.

[0:03:09.9] WS: Nice. Let's jump into that. Can you give us your ideal client, that real estate investor that you help or that family that you help? And maybe work through some scenarios that you help people with?

[0:03:22.1] CM: Sure. Some of my specialties, again, involve liquidity. And kind of going from active to passive. So, I help a lot of investors retire, essentially. — There's a vehicle that the IRS has blessed to be replacement property in a 1031 exchange. So, DST or Delaware

Statutory Trust, if you are selling property and you 1031, and you don't want to go into another active management situation, there is a security that you can do through a financial specialist like myself. To invest in a single property or a whole portfolio. You can diversify. There's a lot of great things but you essentially sit back and collect checks, but you have all the benefits of a 1031 exchange.

Along with that, we map out a plan for you, so that's more of a transactional thing that I do, but we can also do more of the traditional financial advisor-client relationship where we map out a plan, monitor the plan going forward. Because a lot of real estate investors, the way we found real estate is that we love the control. We love controlling our destiny. We know how much better it is than a lot of other traditional financial planning models, but at the same time, it's not enough to just kind of, "Okay, great. I'm in real estate. I'll be fine." It's not necessarily the case. Having a plan is always better than not.

[0:04:52.7] WS: Having a plan is always better than not. I like that. For sure. You have to have a plan. And then, sometimes, having somebody like yourself gets to see and help so many other people. It seems so clear to you, and to us, it seems so complicated, having that extra set of eyes is so crucial.

You mentioned numerous things there. I mean, just like the liquidity, you're going from active to passive and helping people retire. Just the vehicle of the 1031 and the Delaware Statutory Trust, great things to let the listener know that those items are out there or researching those things so they can know or be aware that maybe that's something they need in their portfolio.

Let's back up a little bit and talk about going from active to passive. What's some way you help people think through that? Or when is it time to do that?

[0:05:40.2] CM: Sure. It's definitely case by case. You'll find, whenever you talk to specialists, like financial advisors, attorneys, et cetera. You ask them a question and they always say, "It depends, right?"

So, on a case by case basis, some people may want to take a break. You can go from active to passive and then back to active. Or you can just be in a retirement scenario. So, it all depends. And it also depends on what your holdings are, how long you've had them, for example, how much depreciation you've taken. It may change your tax scenario, things of that nature. How aggressive you've been, and your risk tolerance.

So, some people are just kind of tired of taking the hits that some of us have taken from when we're active investors too. So, it all depends and you can get into certain income funds or things of that nature. You can get syndicators. So, there are vehicles like that where it's not necessarily a security. You get with someone who knows what they're doing and they can kind of take the reins for you.

There's a whole lot of options and what percentages you put where or what we call asset allocation, that also depends on your future goals and how close you are to achieving those goals. Or how close you are to retirement. If you're super young and you want to still have at least one hand on the wheel, so to speak, you can do that too.

So, it looks different for every person but there's a whole lot of options out there for sure.

[0:07:15.5] WS: What are just some commonly overlooked issues that you see people have? Let's say, they've been in real estate for a while, maybe they're making this transition or looking to make the transition at some point. But just some things that they don't know to even look for in their portfolio or their investing future, what are some things you've seen?

[0:07:35.6] CM: So, the biggest thing that we see is we fall in love with real estate and we kind of work our job and hopefully, not make a jump too soon. But you take every spare dollar you have and you throw it into growing your portfolio. Then you wake up one day and you are a real estate rich, cash poor. You haven't paid attention to liquidity. You've got a great portfolio but what happens if your property manager calls you and says, "Hey, we need to replace 10 water heaters." That money has got to come from somewhere.

So, keeping an eye on liquidity and insurance — asset protection strategies, those are probably the biggest ones. I'm not a CPA. I'm not an attorney but I'm throwing that out there. But having these people on your team is really, really crucial. Having somebody watch your back even if you do want to do everything yourself is really, really crucial. We all have blind spots. So, paying attention to your blind spots and CYA strategies, so to speak, those are probably the biggest pitfalls that I've seen people fall into — is not having one of those things in place.

[0:08:45.0] WS: I've met numerous investors who talked about either being in a position now or have been at one time and learned that being real estate rich and cash poor is not a good place to be. What's your advice on that? Is there a certain percentage or is there a certain way to think through that? How much cash we should have on hand as an investor? Or ways you help with that?

[0:09:03.2] CM: So, different people have different strategies when it comes to just reserves. I would always suggest to be conservative and just have a little more than you think, especially if you're newer, if you're on the front-end. That means you need all the more cash, because some of us who've been in the game for a while, we've taken our lumps. We know what more to look for. Whereas, if you know you're on the greener side, you want to pad it even more, because you don't know what you don't know.

Be well insured. Some of us cringe when we look at insurance and things of that nature and, "Oh, do I really need to pay for this? Could this really happen?" That policy came from somewhere. I think having a mentor is also a great thing, just having someone watching your back, whether it's a specialist or just someone who's a little farther down the road from you, that's another great thing too.

[0:10:01.0] WS: When you said helping investors retire. When are they ready to retire? And as an investor, what does that really mean?

[0:10:08.3] CM: Sure. I like working with real estate investors, because they already agree with my philosophy. Which is not popular in the financial services industry. A lot of people will just kind of build up that nest egg that you hear about, the proverbial number that you need to reach to retire. I don't really believe in that. I think building streams of income versus building a nest egg is a far great philosophy.

What your income needs to be is really up to you. You can look at your lifestyle now, how far away you are from retirement, what you want your retirement to look like, are you still going to live in the city or region that you're living at now? Are you going to move somewhere where cost of living is a little lower? If you're 30 years away, what's inflation going to look like between now and then.

Another thing to keep in mind is that as a lot of us age, our needs actually increase if we're going to be in a home and not living with our kids. If we're going to have those medical bills that we don't have now, that's going to be future needs that you need to plan for. So, having that plan, just having someone who can look through all those line items and say, "Hey, have you considered this? Have you thought about this?"

Another thing is taxes. Taxes, we have no idea what this is going to look like between now and future administrations, things of that nature. Tax laws can change. Between now and then, taxes may go up. This here alone, we're spending money, a trillion dollars a clip, so what's that really going to look like between now and when you and I retire. We have to plan for that one way or another. So, taxes might go up. If you have kids or other things that are taking down your tax bill now, you can say, "Well, my taxes are here. They'll probably stay here." Well, that's not necessarily true. A lot of these line items that you are taking down your taxes, they won't necessarily be there. If your kids are out of the home, you can't write them off anymore.

So, all these things that some people may or may not consider go into plan and it can be kind of complicated, but it doesn't really have to be. You can work with a specialist that can simplify things for you.

[0:12:31.0] WS: I'm glad you listed off a few things there. Anything else that should go into that plan that maybe people overlook or that you could highlight?

[0:12:37.5] CM: If you want to support your kids or grandkids, different families have different philosophies. So, I work with families and organizations and some organizations or people might want to support their kids, put their grandkids through college. These are our goals that you can set in addition to your retirement.

If you're on the younger side, you can say, "Hey, I've got a handful of investments now, but I want to put money away to make some really big purchases in my 50s," so to speak, "And that will be my retirement plan."

You can also go the philanthropy route. Plan to give all your stuff away, but not give too much. What does that really look like? How can you plan for that? Covering certain goals as far as giving is always a good thing. I'm a big fan of it. So, these can also be built into that plan. It doesn't have to be all about you, so to speak. It can be about your future generations. I wrote a chapter in the book called *The Century Plan* or the chapter is called *The Century Plan.*

So, instead of planning for a retirement 30 or 40 years, I actually challenge people to plan for a hundred years. So, yes, you're going to be long gone, you're not going to be retired for a hundred years, but the things you're doing now can and will affect your children, your grandchildren, their children. If you're an organization or a company, the legacy of that organization can live on for another century. It doesn't have to end with you.

[0:14:13.9] WS: Great advice. It doesn't have to end with you. It's great to think that way. Can you provide any thoughts you have and say what's going to happen in the next 6 or 12 months in just the real estate market?

[0:14:24.9] CM: You know what's tricky, depends on your region. As you know, there's no national singular market. Different markets are going to ride COVID out in different ways. But I think, generally speaking, between now and 6 to 12 months from now, there's going to be a lot of opportunities. It’s not going to be across the board like some people may think, but I do believe there are going to be a lot of opportunism once moratoriums lift. How will the bank react to cities where rent hasn’t had to be paid this whole year, practically? That’s going to affect different landlords, different ways. If you’re an over-leverage landlord, you’re in big trouble right now. How kind is your bank going to be to you or not? Are they going to give you grace or not? That’s going to either create opportunities or a bloodbath, depending on how you look at it. Or we might ride it out just fine. If the government or someone else steps in to help people who are in that position.

Another thing is, I would encourage our people who are buying and taking advantage of opportunities in the next 6 to 12 months, I would say, be very, very cautious in how you buy. Because we don't know the future waves or ramifications. Money could get very, very expensive over the next 24 or 36 months after this. So, if you are buying now and expecting to be out of a deal in three or four years and on the more aggressive end, money could be a whole lot more expensive.

So, you could have planned for various exit cap rates or whatever, but if your future buyers can’t get money or money is a whole lot more expensive for them, that’s going to change your numbers a great deal. And you might not be in the situation you thought you were on the tail end of that deal. So, I would encourage, yes, take advantage of opportunities if you see them, but be very, very careful and think it all the way through.

[0:16:28.8] WS: Chris, I believe anyone that has success in business must have a high level of self-discipline and how did you gain a high level of self-discipline?

[0:16:38.8] CM: Both emulating people and people I looked up to, people who are farther down the road than I am, and out of necessity. Once you get the ball rolling in any business or investments, if people are trusting you with money, especially, you don’t have a choice but to be disciplined. You’re letting them down. You’re letting yourself down. You’re letting the future generation, your kids down.

For me, it's really been out of necessity. I've been entrepreneurial for a long time, and you find out very, very quickly that unless you're super on point, dotting every I, crossing every T, you're going to be dropping the ball. And it gets more and more expensive, the higher the stakes get.

[0:17:20.6] WS: What about a couple of daily habits that you have that you're very disciplined about that have contributed to your success?

[0:17:27.0] CM: Starting my morning right has been super tough. I've never been a morning person, but I know the importance of starting my day right. Starting with reading, prayer, meditation, some sort of exercise, getting the blood flowing.

It's hard for me to actually run and things of that nature in the morning. But even if it's just yoga and some pushups or something to get the blood flowing, starting with a good attitude, getting in a good headspace to start the day right. It's super important because, one, it affects the rest of your day. It affects your productivity. And two, things happen. If kids are going crazy or you get some explosion of an email in your inbox, as soon as you open it, that can affect your day and how you react to those things — or respond, I should say, to those things. Instead of reacting, that has a ripple effect that affects your business, affects your life and affects even who you are as a person.

So, it's really, really important and if it's difficult for you like it is for me, it doesn't matter. You got to just suck it up and do it.

[0:18:36.3] WS: What's the way you've recently improved your business that we could apply to ours?

[0:18:41.3] CM: I'd say being nimble and flexible. As a planner, it can be difficult for me at times to know when to pivot. For example, recently, with the COVID thing, dealing in alternatives investments and large amounts of money, a lot of people that I deal with are pretty old school and old money. So, they want to look you in the eye and shake your hand, and going virtual was really, really tough. We were on lockdown and I can't drive around and have these meetings anymore. Going virtual and digital was tough, but I had to.

I started a podcast just to be able to kind of be out there and still talk to people and all these things. But it's not really my thing. I've never wanted to be on camera and putting myself out there. I've never been the guy to self-promote. I've always been the guy who's in the background, very content, making things go, and having the responsibility. And making other people rich, but not necessarily just self-promoting and I'm so great and all that stuff. But to be out there and talking about myself, introducing myself, is a pivot that I just had to make.

So, it's really different being across a screen from somebody instead of across a table, but it's one thing that I've had to do. So, being nimble and knowing when to pivot, that's the biggest change.

[0:20:10.8] WS: What's your best source for meeting new investors right now?

[0:20:14.6] CM: Talking to a lot of different people on podcasts has been great. LinkedIn has been really good. Other relationships, when you're trustworthy, good at what you do, when you're providing value to other people, and not being selfish about it, you get introduced. So, I think that's been the best. If someone can say, "Hey, I've worked with Chris" or "I've known Chris, you should talk to him," that's kind of what — it works best and it feels better than me having to say, "I'm so great."

[0:20:47.3] WS: What's the number one thing that's contributed to your success?

[0:20:50.5] CM: Relationships. Hands down, relationships. Some of my best investments have been just out of phone calls or an email. "Hey, Chris. I've got this opportunity. Are you interested or are any of your clients interested?" I raise my hand and say, "Yeah, I'll take a couple." Relationships open doors and when introductions or deals come from a relationship, I'll trust or look more seriously at a deal that I get through a relationship, than through some kind of sales brochure or something.

[0:21:23.0] WS: How do you like to give back?

[0:21:25.7] CM: Historically, through my time. I've mentored kids. I've spent a lot of time volunteering at my church in various ways. So, volunteering my time and really rolling up my sleeves and getting my hands dirty and putting my hands to the plow, so to speak, has always been my favorite.

[0:21:44.0] WS: Nice. Chris, I'm grateful for your time. The way you've given back to us today and just helping us think through some financial planning issues that may not always be on the forefront. I mean, whether it's going from active to passive or just helping us think through a retirement plan of some kind or — is 1031 an option? And just commonly overlooked issues or being real estate rich and cash poor. That becomes a more common problem it seems as more people get into the business and then start investing a lot more, while thinking you're out having those reserves is very important. Even building better streams of income and then nest it. I appreciate you just elaborating on that and just grateful for your time.

Tell the listeners how they get in touch with you and learn more about you.

[0:22:27.5] CM: So, my email is cmills@thehaneycompany.com. I'm real responsive by that or you can reach me through my website, auditmyrealestate.com or thehaneycompany.com. You can find me on LinkedIn, mrcdmills or Christopher Mills on LinkedIn.

[END OF INTERVIEW]

[0:22:47.1] 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]

[0:23:27.8] 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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