

WS904 Stephanie Walter

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0:00:01.5 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.

0:00:23.5 WHITNEY SEWELL: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Stephanie Walter. Thanks for being on the show this morning, Stephanie,

0:00:32.5 STEPHANIE WALTER: Thanks for having me.

0:00:34.0 WHITNEY SEWELL: Yeah, she's up early this morning in Mountain Time, I appreciate her being up, making it happen. But a little about Stephanie, she is a CEO. How do you pronounce that name?

0:00:43.0 SW: ERBE

0:00:44.0 WS: ERBE Wealth and legacy cash flow specialists. Capital raise or syndicator and real estate investor. She's been a financial educator for 15 years, and a real estate syndicator for the last 10 years. Stephanie's passion is teaching people to unlearn what most of us had been wired to think about money and re-educating people on attaining wealth that can be passed onto the next generation. Stephanie, that's hard. It's hard to unlearn things that it just the way you're raised, this is what you think about things, you can realize sometimes it's been kind of ingrained in you...

0:01:18.4 WS: Right? I tell listeners... One thing Stephanie ... to, she has been able to learn and implement some things Wealthy to do with their money, and it allowed her to retire and really to do other things now, so looking forward to hearing more about the story stuff, and helps us to... I guess, give us a little back story about yourself and let's jump into what the Wealthy do with their money, and hopefully that includes some syndications.

0:01:39.3 SW: Yes, yes, definitely. I started my process, I guess in 2006, I quit my regular W2 job to become an insurance agent, and have been doing that for last 16 years. I was kind of from... My dad taught from a pretty early age that real estate was kind of a powerful thing, so I would start investing in small family rentals that... The goal was is just to pay them off when I retired and have a nice little retirement. In about 2016, I started to become curious about apartment investing, and signed up with a really great company, are mentor, to just basically get a master's in real estate education, and closed on my first syndication in 2018, that was the... That was challenging because they did everything, everything, everything for that particular syndication, from finding it, negotiating a due diligence, raising the money, everything, and from that process, realized that I didn't ever wanna do it that way again, and just kind of decided that I really liked raising money, and so from that point forward, I've been raising money for people that I know as well as... At this point, I have a reputation, I get about 20 deals that are sent to me a year, and I usually pick one to two of them to raise the money for. And that's kind of where I am in the space.

0:03:17.5 WS: Now, that's awesome, I appreciate you just shedding some light there, and even some of those things about, you're leaving your W2 and your dad teaching you at a young age or just instilling and you may be the powerful platform of real estate to building wealth, even at a

young age, so it pushed you into wanting to pursue that at some point, and so you found a mentor, you got educated... You did a syndication in 2018. Give us one or two key things that helped you to get to that first deal and get that done.

0:03:43.5 SW: I think a big part of it was my mindset and being an entrepreneur to begin with and just working at something until you fall over, because for that one, it was really hard to find the financing, I had to literally go to 30 different things before I could find the financing for that one. I think a lot of people in this industry that they'll start and they'll run into a couple of roadblocks and stop, and I'm not that person. I think you need to really just push through and know that you'll get there...

0:04:19.1 WS: 30 banks is pushing through.

0:04:21.4 SW: Yes. So yeah, I think that... And yeah, just so I am a big mindset person, I really believe what you think is what you're gonna be able to achieve, so... Yeah.

0:04:37.2 WS: I could not agree more. Mindset is so crucial, what you tell yourself what you believe is so important, but where did that come from, where did you have that drive? 'cause I think it's hard to teach that drive. I can teach people about real estate. I can teach people easily how to raise money. I can teach people all these things, however, if they're not willing or they have that drive it... It's very difficult, right. And so where did that come from?

0:04:59.4 SW: For me, it was, I've talked to my sister about this 'cause I have a young child, then I want him to be the same as me. I think it was just seeing a dad that he was an entrepreneur, he got up every morning at five in the morning and work sometimes until 10 at night, and just kind of seeing the passion that he had is kind of what I see, 'cause I questioned that as well, because I was a part of our mentor. And you go through a bunch of training. So you meet a lot of people, and I would say maybe 5%, maybe less than that you actually ever see or hear from again, it just kind of drop off the face of the earth and don't continue and... That really blows me away. I've also gotten involved with another mastermind that you do pay some money to be a part of these, and it does always surprise me that a percentage of that group falls off rather than continue through and finish. So you have to be willing to work hard. I think people come into this business thinking they're gonna get rich quick, and you can...

0:06:11.1 SW: But there's a lot of work associated with it.

0:06:14.6 WS: No doubt about it. You have to be willing to work it, it can't be scared of the time or the effort that you have to put in to get there, and so tell me Stephanie... Your financial educator, you have been for a long time, and you've been cash flow specialist. I wanna learn a little more about what the Wealthy do or the things that you've done to help you retire, and then also maybe even more importantly, things that they do not do, and the ways we've almost been brainwashed from a young age, but shine some light there so we can also build that wealth as syndicates and passive investors.

0:06:48.2 SW: I think the biggest eye-opener for me, because along my journey, I was actually... I had my series six, which I've gotten rid of that, so I actually helped people with their planning and their assets and everything like that, soon to figure out that it's really hard to predict with the stock market is gonna do at any time, and you think... Because you go to a financial planner that they get

some access to this great secret book where they know everything, and I'm here to tell you I already did this, and there is nothing like that. You just ask the questions that they train you to ask, put the people's money and things that they deem appropriate, but when I started working with the Wealthy and looking at where they had invested their money, I would say maybe 10% of their money is put into the stock market. None, virtually none is in 401Ks. Their money is largely in businesses, if they are invested in the stock markets more kind of like their play money, maybe 10 to 20% of their money. The bulk of their money is in real estate, and not only that they view their money differently, so again, back to mindset, I always viewed my money, okay, Well, I'm gonna accumulate in...

0:08:09.9 SW : I'm going to buy a rental property and it's... The money is just gonna sit... In 30 years, I'm gonna be able to access that money and it's gonna be awesome where as they do not let their money sit. They are using their money at all times, they're using it. It's not sitting in the bank, it's not sitting in a 401k, it's not setting in equity in their rentals or their home. That money is a tool that they use to make them money. And so once I started, it took a while for me to develop that mindset and accept it, then I realized I had a lot of money sitting in equity on my rentals and they were cash flowing a little bit, but not enough to retire any time soon. So I simply started looking at some of the syndication I was having people invest in and invested in myself. And now I have enough passive income to retire from my business. And that was just recently in December.

0:09:12.9 WS: Congratulations, by the way. That's awesome. But I wanna say, wait a minute, Stephanie, I know there's people listening, they're like, 401Ks are safe. That's what we all have been told growing or not all of us, obviously, but many or, you're taught to, we want that equity and we wanna get this properties paid for as quick as possible. And those things, right? So help us to think through at least those two things, like 401Ks and the equity, and how you really shifted your mindset towards those things, and what the Wealthy you know how the Wealthy thinks there...

0:09:42.4 SW: Yeah, well, the 401K, once I started to see those with the Wealthy , I started reading some books and really kind of educating myself about the 401K, and the 401K has a lot of flaws in it that people don't realize, I'll just use a client of mine, talk to them about their finances, and they brought in their statement and showed it to me and basically I said, Do you ever look at this? Do you know where anything is invested? No, they don't. So we looked down and saw, well, in the past 15 years, since you've had your money in this... It's made 4%. She had no idea. I said, You know what, I could do better than that. I could do much better than that, and you could actually get the cash flow, you could actually have money that's given to you every month. I also think about who benefits from the 401K program. When you think about it, the money goes in, you can't touch it. I mean, possibly through some of these covid programs, you can get it out, but largely you can't touch it until you retire. Do you think taxes are gonna be higher now or in the future? They're unquestionably gonna be higher in the future...

0:11:03.4 SW: That's one thing. So if you think you're gonna have a million dollars when you retire, are you really gonna have a million dollars? It's really gonna be the government that's waiting with their hand out to get that money when you retire. And that's one big concern. Another one is the fees. Those are those silent things that most people don't know about, but they eat off your money. I think I saw an article that said, Vanguard said it's an enormous amount of money that gets taken out if you start investing when you're 25 somewhere of the terms of... I apologize, I shouldn't have that right in front of me, but there was an amazing number, it was almost half...

0:11:45.0 WS: Just in fees.

0:11:46.0 SW: Just in fees over the time, so I think people need to... It is a hard step to take because you have to believe that you can do better with your money, then this big institution, a big bank can do with your money. But I believe in it wholeheartedly. When you compare as well as what you were saying about the equity in your home, while not only in your home, but in your rental, what is your return on investment? That's one big thing that I learned getting into this industry, cash flow, return on investment...

0:12:22.2 SW: What is that exactly. On my equity is just sitting, it's getting 0%, so to put it into a vehicle where it's getting 20%, it doesn't take a long time to transform that money into being able to retire.

0:12:40.9 WS: That right there alone is just mind blowing, I think to most... And most of you say 20%, they're gonna say, that just can't happen, Stephanie, that's just a dream. You can't get those kinds of returns... That's too risky. Those things... What do you say to that?

0:12:54.0 SW: I think... Well, just not understanding the business, that real estate business, but the syndication, and it's been really eye-opening to me through covid is because we have a lot of multi-families and they're talking about the moratorium on evictions and all of this stuff. I did a lot of research during this last year to find that in the markets where we invested, actually people were moving more than they had through this time than what they had in 2019, which had actually caused there to be a need for more housing, which therefore our rents have actually gone up in the properties that we have, so it's not everything that you read, and what's very exciting, honestly, about commercial real estate multi-family space is the value of the property is based on the income, and that's what a lot of people don't understand or doesn't click with them, is that you can have a property and decrease some expenses or increase the rent 50 dollars a month, and you've really quite easily can add like a million dollars of value to a property based on force appreciation. And you just simply can't... I was a single family landmark for years, you just can't do that same thing with single-family home, so that's how those returns can happen and that's not an unusual number from what I've seen.

0:14:33.4 WS: I agree completely. And that is hard to wrap your mind around initially, right, but that is one of the biggest reasons to get into commercial real estate, is that alone. Being able to control that and being creative to drive value in a big way that forced appreciation, like you're talking about or you have so much more control. Personally... I just feel, I have so much more control over the value of our real estate than I ever could over a 401K, like you said, you don't know where it's invested half the time, and I don't like that either, but when I started learning about... We had a 401K, and we're thinking about mutual funds way long before I got into real estate, and I finally started learning that. The places that that's invested in, into many things that I would never support, and supporting many things that I would... Yeah, I was just blown away. I, I, I have got to change this, right, 'cause I did not agree with where this money's at, what I am personally supporting or even gaining from to some extent, and so I just encourage the listeners to think through those things and things Stephanie has been talking about it...

0:15:27.9 WS: Or think about the equity... Think about the 401K. You know... Stephanie, do you plan to ever pay those properties off, or the rentals or the home... Those things are... Do you feel like... Why would I do that? How do you feel about that? I hear that question often.

0:15:40.9 SW: Yeah. I'm in the process of selling my last Single Family Rental as we speak, and that comes from probably... I know that I can place in a better place for returns, but also I am tired of being a landlord, but I've been one for 15 years, and it wears on you over time. That's another great thing about syndication, is you put your money in then you're not worried about getting those calls at night. As the weather's cold here in Colorado, worried about getting the... The heat isn't working and the pipe is first, I'm throughout that, I'm truly free from that, but no, again, paying the... My personal opinion as paying your rentals off, yes, you get that cash flow, but I believe if you'd sit down and talk to someone who could, who'd say runs a syndication and what that money could do for you in a syndication, you would be blown away by the actual cash flow you get on day one of being a part of the syndication, and you still get all the other benefits, you still get the tax benefits, and even quite possibly better than where you're sitting right now in your rental...

0:16:56.8 WS: Right.

0:16:57.4 WS: I've had small rentals, that's where I started as well. A small multi-family, and I'd say often, I know very few people who are able to scale, say a single family, small multi-family business and make better returns, especially when you account for all your time span and brain damage, especially if you're self-managing, but very few people that have been able to do that and make better returns, and if they had just been passive in a syndication... Yes, there's some, I know they can't do it, but for most... And I would just encourage you just like Stephanie, you think about a syndication and educate yourself before you go buy the single family home or... Just have the mindset that you have to start there. So Stephanie, on the same line of thought, from your background is in educating people and financial planning, and now experience it with many syndications, how do you... And how do you like to see operators prepared for a downturn?

0:17:47.4 SW: As far as what everybody's investing in?

0:17:50.0 WS: Right.

0:17:50.5 SW: It's been really clear through this, through the covid, is that multi-family is exactly what they teach us right coming in off the street, is that it's incredibly resilient to downturns in the economy, but I've seen that first hand. I guess my only qualifier then would be just be really cautious about the areas that you invest in or you look to invest in... We've invested a lot in the Southeast in Florida, Florida has been amazing through the covid, as far as they've kept their economy running and all of that stuff, Texas is another one that's been super great, you wanna always look for the landlord friendly state, and I believe that this is my first scene of a real downturn in the economy when I have been invested this way, and I was really pretty shocked at how well that I did where I believe that little over 90s, I think we're at 96% of rent collections through this whole process, and we haven't missed a distribution payment to anyone through this, and I think that speaks volumes of...

0:19:07.0 WS: It does...

0:19:07.9 SW: how it does.

0:19:09.5 WS: Stephanie, what about the one that's listening and says, well, I've already been investing in this 401K for many, many years. What do I do now? What's the best thing for them to

do with that money?

0:19:21.0 SW: I won't tell them to do that because I actually, I know people and that have done that, and there's a lot of issues with the self-directed IRA. I think a lot of people, especially syndicators, will be like, just roll it in here. It's fine. We'll take the money. You're all good. Well.

0:19:38.5 SW: There's a lot of problems with it because now, instead of by having their money there, they can't access it until they retire. That's the first thing. The second thing is they get taxed as ordinary income on that income when they start taking it out as opposed to that they would have just been paying on capital gains on that money, and that's a big difference actually. It ends up being, I think, almost three times the taxation that will occur to them, that's not even considering what the tax rates are gonna be in another 20 years or however long, it's gonna sit there, so I know it's not a popular thing to say, but I believe that you talk to your accountant and figure out way out. An exit strategy out entirely.

0:20:30.5 WS: So get it out of there completely so you can better invest it and have access to it? So maybe take a little snail as opposed to taking a bigger loss 20 or 30 years from now?

0:20:39.1 SW: Yep, and a lot of times the syndicators you work with, just depending... That most of the good syndicators are doing the cost segregation, and those are... This is a fancy term for just a fast depreciation, and a lot of that depreciation can come through, so if you have a real plan to slowly liquidate the 401k, it probably can be offset depending on where you're investing the money, but I'm just a very big advocate of having control of your money. Another bad thing about the 401K that I just put out quicker because I think they changed that is that when you die, that money, it's not passed on to the heirs. It's taxed extremely high. So I think that's a big concern that someone should have, where as if they own some property, it is something that's gonna be passed on to your next generation.

0:21:40.0 WS: That's definitely something to be thinking about and why you need somebody on your team too, or some kind of advisor that can help you think through those things and really plan things out. I heard a much better accountant, I wouldn't say much better... My last one was really good. However, as your business grows, as your portfolio grows, your team has to grow as well, right.

0:21:58.6 WS: And so we found somebody that helped me think through many of those things, it was very helpful where they're from taxes, tax planning to different things, like you're talking about.

0:22:06.7 WS: Stephanie, just so we don't run out of time. A couple of more questions, but what about a couple of daily habits that you are disciplined about that have helped you achieve success?

0:22:15.1 SW: I'm really good at keeping a schedule. I'm not somewhat Monday through Friday, I have a blocked out time during that period of time to do all the different things that I need to do. The largest thing that was probably a surprise and raising money for me anyways, is the content that needs to be developed, articles that need to be written, the... I'm working on a book right now, and just that area, which is pretty cool because I've always been very business-minded, so to do something creative is cool, but you need to have the time set aside and you have to just know that between these hours of your day, you're going to be working. You're gonna be looking for deals during this time, you're gonna be underwriting through this time. If that's the area that you're

looking in, for me, it's largely about acquiring new investors, and so that's really where I put my time in my education.

0:23:17.4 WS: What's your best source for meeting new investors right now?

0:23:20.0 SW: Is actually past investors have been a really great resources for new investors. A lot of people now... I'm focusing a lot on insurance agents, as crazy as that sounds, but in general, insurance agents are not...

0:23:35.2 SW: They're great business owners, but they're not very good planners for themselves for their retirement, so I want to help them be open to this type of investing for their future. I

0:23:49.0 WS: I think there's a lot to be learned there, 'cause that's like a niche that you can relate to, you understand well, you came from that, so you can speak lingo that they're going to relate to you very quickly, so I think that's very smart. And thinking through that strategically, like that. What's the number one thing that's contributed to your success?

0:24:05.2 SW: I think that I've really a lot of great mentors in this business, not... I mean, absolutely, can't discount that. I've had a lot of great, great mentors, great partners, people that have genuinely been interested in my success, and then also just working hard, I think people appreciate that and want to help someone that wants to work hard. In my last businesses to do everything myself and this business, you really need people around you and you need... There are a lot of people that do things much better than I do them, and I had to realize that and be okay with it and just do what I do really well. So

0:24:50.5 WS: How do you like to give back?

0:24:51.9 SW: I like to give back, I'm a member of the Rotary here in Denver, but honestly, I do a lot of giving back within the real estate community that I came from, I have made myself open and within our group of people that we all kind of came from the mentor group. And I mentor a lot of people in the business. And yeah, that's sort of how I look at myself.

0:25:22.0 WS: Now. That's awesome, Stephanie, it's been a pleasure to get to know you and hear your story, and even just helping us think through. Not only how the Wealthy invest and view their money, but also what they don't do. Some of the things that most of us are taught growing up, there's just not how the Wealthy use their money, thinking of it like a tool like you mentioned, even considering, get that money out of your 401k, so you... It's really a little more long-term planning, thinking through that, having that plan, or like you mentioned, but just grateful for all those reminders and just a new information on thinking through your wealth and what the Wealthy does the things you've learned. Thank you for sharing that with us today. How can the listeners get in touch with you and learn more about you?

0:26:02.6 SW: You could go to my website, it's www.erbewealth.com. And there you could either join, we have a VIP investor group that we offer, it's a quarterly newsletter, some good educational, free educational contents, webinars, and then you get a first crack at any new deal that we have come along probably, like I said, one to two of those pretty phenomenal deals a year, or if you're just looking to kind of learn a little bit more, I have a report that you can download on my website and it's five reasons past the investing might be for you. Yeah, those would be the best ways to get a

hold of me.

0:26:51.1 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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